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NEWS SUMMARY

GENERAL

Exodus of 1.5m from cities

More than 1.5m people have deserted major cities during the decade, says the preliminary 1981 census report.

Greater London's population fell by more than 750,000 to under 7m for the first time this century.

Britain's population was 54.129m, an increase of 150,000 or 0.3 per cent on 1971. The English population increased by 0.4 per cent, the Welsh by 2.2 per cent and the Scottish population fell by 2.1 per cent. Back Page

Solidarity warns

Polish economy could collapse unless the Government take immediate action, says a Solidarity research unit report. Page 2

Visit cancelled

Princess Margaret cancelled a visit to the U.S. on Mrs Thatcher's advice, to avoid demonstrations against UK policy on Ireland such as those encountered by Prince Charles.

Mitterrand plea

President Mitterrand, at the EEC summit, called for fresh iniatives to generate employment and economic recovery. Back Page

Crash row denial

Trade department denied there was a big row between British and Spanish aviation authorities over Spain's report on the Dan-Air crash at Tenerife. Page 3

Brandt in Moscow

Former West German Chancellor Willy Brandt arrived in Moscow as personal guest of President Brezhnev. Page 3

Anger at Zia

Pakistan's banned political parties caled for protests to mark the start of Preident Zia's fifth year of military rule.

Collaborator shot

A young Palestinian was shot by firing squad after a Palestinian military court convicted him of collaborating with Israel.

Basilica bomb

An Italian was seized in St Peter's Basilica as he was about to light the fuse of a home-made bomb.

Play's 'integrity'

National Theatre director Sir Peter Hall said simulated homosexual rape scene in Romans in Britain play was done with "extreme integrity.

Closed shop talks

Derbyshire county council committee agreed to talks with unions on plans for a closed shop. Page 12

Opera standard

Royal Opera House, Covent Garden, said it would rather close thna reduce standards.

Blinking good

East German scientists have developed spectacles for train drivers that bring the train to *a standstill if the driver falls* asleep.

Briefly...

Dalai Lama arrived in Britain for a five-day stay.

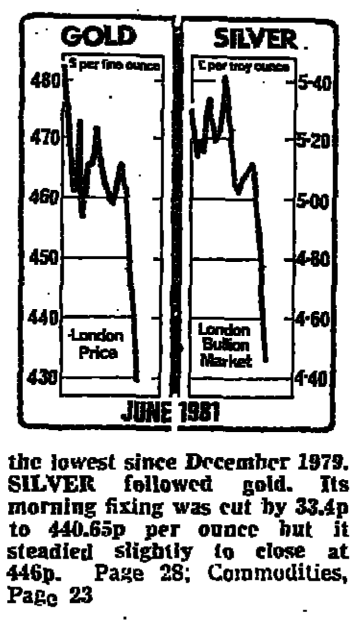
Dissident Catholic Archbishop Lefebrve said the French socialist victory was devil's work.

Police have seized more forged tickets for Wimbledon.

BUSINESS

Gold off by $14½; big fall for mines

● **GOLD** remained weak against a background of firm U.S. interest rates. Persistent selling pushed it down $14½ to $429.5, the lowest since December 1979. **SILVER** followed gold. Its morning fixing was cut by 33.4p to 440.65p per ounce but it steadied slightly to close at 446p. Page 28; Commodities, Page 23



● **DOLLAR** recovered *to* DM 2.3925 (DM 2.3870), SwFr 2.0335 (SwFr 2.0260), and Y225.85 (Y224.75), but it eased *to FFr 5.7050 (FFr 5.7075). Its* trade-weighted index remained at 108.8. Page 28

● **STERLING** closed at $1.9420, a loss of 95 points. It fell to DM 4.65 (DM 4.66), FFr 11.08 (FFr 11.1350) and SwFr 3.9525 (SwFr 3.9550). Its trade-weighted index was down to 94.2 (94.5). Page 28

● **GOLD MINES** index was down 24.6 to 262.6, its lowest for 18 months. Page 34

● **EQUITIES** showed limited progress despite a generally better feeling. The FT 30-share index closed 3.0 higher at 543.9. Page 34

● **GILTS** moved higher in thin trading. The Government Securities index was up 0.36 at 66.16. Page 34

● **WALL STREET** was down 7.23 to 985.64 near the close. Page 32

● **CREDIT NATIONAL** of France is expected to launch a $412m (£211m) eight-year Eurocredit package today, the first borrowing in the Eurocredit market by a major French *state institution* since the elections. Page 29

● **BRITISH GAS** Corporation was attacked by the Association of British Chambers of Commerce for negotiating gas supply contracts in secret with individual industrial and commercial customers. Page 8

● **BARCLAYS BANK** is withdrawing from the in-store credit card business after failing to make a profit in the three years since it entered the market. Back Page

● **MIDLAND BANK** has taken a share in a private health care development company and will provide *long-term* loans enabling about 50 private hospitals to be built at a cost of over £100m by the end of the decade. Page 8

● **PEUGEOT**, the French motor group, is to invest £10m at the Ryton, Coventry, plant of its Talbot UK subsidiary. Back Page; New-style plant unveiled, Page 12

● **AXEL SPRINGER**, sole owner of West Germany's largest newspaper empire, plans to sell 26 per cent of the group to the rival Burda publishing concern in a deal believed to be worth DM 200m (£43m). Back Page

● **BROWN & TAWSE**, steel stockholder and engineer, reported pre-tax profits down from £4.16m to £1.57m in the year to March 31, but the dividend is maintained at 6.4p. Page 20

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Excqr. 11¾pc '84	£94⅝	+ 1/16
Excqr. 12¼pc '90	£90¾	+ ⅝
AB Electronic	118	+ 6
Arbuthnot Latham	340	+ 23
Black & Edgington	65	+ 4
Boustead	170	+ 6
Clifford's Dairies A	112	+ 8
Cornell Dresses	178	+ 6
Crystalate	78	+ 3
Dowty	303	+ 13
Dunbar	483	+ 33
First Castle	125	+ 9
Flight Refuelling	363	+ 16
Hadland (J.)	170	+ 15
Hazlewood Foods	232	+ 8
Jamesons Chocolates	74	+ 8
Land Securities	408	+ 12
Letraset	83	+ 9
Lloyds Bank	392	+ 7
MEPC	247	+ 11
Mercantile House	810	+ 35
Quick (H. and J.)	64	+ 7
Ropner A	200	+ 18
Smiths Inds.	388	+ 15
Swire Properties	152	+ 11
Utd. Biscuits	123	+ 5
Vinten	286	+ 14
Whatman Reeve Al.	170	+ 10
Berkeley Explor.	385	+ 22
Candecca	198	+ 10
Eglington Oil Gas	120	+ 15
Gaelic Oil	215	+ 25

FALLS

Barlow Rand	387	− 18
Brent Walker	56	− 3
Mothercare	200	− 6
Anglo Amer. Gold	£38¼	− 2
Durban Deep	632xd	− 105
West Drie.	£30½xd	− 2½
Western Hldgs.	£22¼	− 2¼

Rowland's takeover of Observer is given go-ahead

BY JOHN MOORE

MR ROLAND "Tiny" Rowland, *the controversial chief executive* of Lonrho, is set to become Fleet Street's latest press baron following the clearance by the *authorities of Lonrho's bid for* the Observer, Britain's oldest Sunday newspaper.

By a majority of seven to one *the Monopolies and Mergers* Commission studying the £6m purchase by Lonrho decided that the deal would not operate *against the public interest, subject* to conditions designed to protect editorial independence.

Only one member of the *commission*—Dr R. L. Marshall—concluded that the transfer of ownership from the present proprietor, Atlantic Richfield, the U.S. *energy group*, to Lonrho may be expected to operate against the public interest and should not be allowed to proceed.

The commission's verdict has been accepted by Mr John Biffen, Secretary for Trade. He intends to reach a final decision on the conditions which should be imposed on the deal in the next few days.

PROFIT AND LOSS OF THE OBSERVER

	£ ('000) 1977	1978	1979	1980*
Turnover	11,733	15,480	38,159	27,397
Profit/(loss) attributable to parent company	(1,820)	(1,689)	818	(4,975)

* Draft accounts.

These conditions, according to Mr Biffen, will be no more than the minimum necessary to provide adequate guarantees for the newspaper's continuing editorial independence.

Mr Biffen intends to take account of the views of parties involved in the transaction before reaching his final decision.

The commission has recommended that consent should not *be given to the proposed transaction unless:*

● Lonrho appoints at least six independent directors as full members of the main Observer board.

● Their appointment must be in consultation with journalists, and the agreement of other independent directors.

● No person shall be appointed to the post of editor without the approval of a majority of the independent directors.

● Consultation must take place with journalists before a new editor is appointed.

Lonrho proposes that Mr Robert Anderson, the chairman of Atlantic Richfield, should continue as the group chairman of the Observer. The commission's report said that Lonrho hoped that Mr Donald Trelford the present editor, would decide to stay on the board.

Monopolies Commission report and Rowland profile, Page 8
Editorial Comment, Page 18

Sir John Megaw to lead Civil Service pay inquiry

BY NICK GARNETT, LABOUR STAFF

SIR JOHN MEGAW, a retired Lord Justice of Appeal will head the independent inquiry into how non-industrial Civil Service pay should be determined, the Government announced yesterday.

Sir John, 71, was a Recorder and High Court judge, served as president of the Restrictive Practices Court, on trading *during the 1960s* and was a Lord Justice of Appeal for 11 years until 1980.

Lord Soames, Lord President *of the Council, announced in* the House of Lords the terms of reference for the inquiry which he said had been widely drawn *to allow full consideration* of all issues relevant to Civil Service pay.

The intention is that the inquiry should produce its recommendations for consideration by the Cabinet by next summer followed by discussions on the formation of a new pay system to be in operation by 1983.

Lord Soames said the unions should now stop disruptive action. Under questioning, he hinted that the Government might otherwise have to consider how further to respond and that the unions could be penalised through altering the settlement date for the current pay round.

The unions said the action would continue and announced further stoppages today at the Scottish and Oceanic air control centres, at the Manchester sub-centre and among specialist teleprinter operators at Heathrow and Glasgow airports.

Mr Bill Kendall, secretary general of the Council of Civil Service Unions (CCSU) said yesterday's announcement did *not* resolve this year's pay dispute and held out no prospect for genuine negotiations next year.

But at a meeting of the CCSU on Thursday, he will recommend that the unions make representations to the inquiry.

The speed with which the Government is pushing ahead with the inquiry may exert greater pressure on the unions. *Mr Kendall said that Thursday's* meeting of the council would discuss what forms further industrial action should take—and not whether *the* action should be called off.

The unions are holding a policy meeting today and there could now be further recommendations for an all-out strike.

Mr Alistair Graham, Civil and Public Services Association deputy general secretary, said the Government's position on pay this year could only be changed by such action.

Lord Soames emphasised the *Government's concern to establish* new and acceptable pay ticable. arrangements as soon as prac-

The terms of reference include the need to maintain an efficient and "fairly remunerated" Civil Service; the need to reconcile the Government's responsibilities as employer and as controller of public expenditure; and the demands of good industrial relations.

It will also examine recent experience of operating previous arrangements for determining pay and "consider and make recommendations on the principles and the system by which the remuneration of the non-industrial Civil Service should be determined, taking account of other conditions of service and other matters related to pay, including management, structure, recruitment and grading."

Heyhoe appeals to civil servants to end action, Page 11
Editorial Comment, Page 18

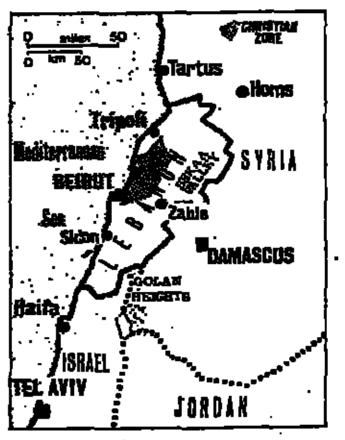
Siege of Zahle to be lifted

BY JAMES BUCHAN IN BEIRUT

SAUDI ARABIAN mediators have achieved a big breakthrough in their atempts to defuse the political crisis in Lebanon. They have secured the agreement of Syria to lift permanently its blockade of the Christian town of Zahle in Eastern Lebanon. Zahle has been besieged since April.

According to a senior Lebanese Government official, *the relief of the town, around* which the Lebanese missile crisis between Israel and Syria first flared up, begins at dawn today.

Success in Zahle should, in turn, lead to a reduction of tension between the Right-wing Christian *forces in Lebanon* and the Syrian army aided by its Moslem and Left-wing allies in Beirut. *This is crucial for the* important meeting of Arab League mediators, led by the Saudis, in Beirut on Saturday.



The Saudis believe that the situation in Zahle has consistently detonated violence elsewhere in Lebanon, notably in Beirut. They have concentrated on relief of the town as the first step towards wider security measures in Lebanon and eventual national reconciliation.

Damascus's attempts to oust Christian militias led to the crisis caused by the shooting down by the Israelis of two Syrian helicopters and the crisis *caused by the location of Syrian* missiles in the Bekaa Valley.

The relief operation is fraught with risk. The chief *element is the departure under* safe conduct of the 75 or so

Continued on Back Page

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Chairman Hua is replaced by Hu

By Tony Walker in Peking

CHINA has a new leader. Hu Yaobang, general secretary of the Communist Party, was *appointed Party chairman* yesterday.

Hua Guofeng, his predecessor, was demoted to *seventh place in the* hierarchy amid a welter of criticism.

Chairman Hu, 66, a veteran of the "Long March", is a protégé of Deng Xiaoping, the powerful vice-chairman.

Hua, *Chairman Mao* Tsetung's handpicked successor, resigned late last year under pressure from the dominant *moderate faction in the* leadership led by Deng. A meeting of the party's central committee which ended yes*terday merely confirmed* the resignation.

A dispatch from the Xinhua news agency criticised Hua for his "Left" errors, and "his eagerness to create and accept a personality cult for himself."

Given the intensity of the criticism levelled at Hua, it is surprising he survived at all *in a leadership position. He* has, none the less, lost all effective political power.

"Criticism of Hua Guofeng *had come from many Party* members since last August," the dispatch said, "Particularly during the discussion of *A Draft Resolution* on Historical Questions (the official party judgment on Mao)."

Chairman Hu will retain the powerful position of Communist Party general secretary, which gives him control of the Party secretariat. This is the body responsible for the *day-to-day* affairs of the ruling Communist Party.

Hu was brought back to central government by vice-chairman Deng after his own rehabilitation in 1977. Deng has since assiduously promoted him into positions of responsibility, including the Party general secretary*ship*, a position previously held by Deng himself.

Chairman Hu is regarded as something of a liberal among the Chinese leadership, which may explain why there was considerable opposition to his appointment. Hardliners, notably those in the Army, are believed to have been unhappy about his elevation.

However, Vice-Chairman Deng, the Party's most powerful figure, apparently insisted that Hu be given the *chairmanship*.

The appointment marks a

Continued on Back Page

Iran pledges to purge enemies after bombings

BY TERRY POVEY

THE IRANIAN Government yesterday threatened to avenge Sunday's assassinations of *Ayatollah Beheshti*, leader of the ruling Islamic Republican Party, and 71 other leading politicians by eliminating all its *opponents*.

Iran's state radio said: "This is a fight to the end, it's either us or them."

As news *spread of* the explosion which partly destroyed the headquarters of the ruling party and wiped out a large number of its leadership, normal life ceased in Tehran and the countryside. All shops and businesses have closed. There is to be a week of national mourning.

The biggest blow to the regime has been the loss of Ayatollah Mohammed Beheshti, the most powerful man in Iran after Ayatollah Khomeini, the spiritual leader of the revolution.

Dr Beheshti was secretary-general of the dominant Islamic Republican Party and Chief Justice of the Supreme Court. He was chiefly responsible *for* the dismissal eight days ago of the former President, Abolhassan Bani-Sadr.

Also killed were four ministers and six deputy ministers. Another prominent victim was Dr Mohsen Nourbaksh, new Governor of the Central Bank and the son of Ayatollah Hassein Montazari, who is regarded as the heir apparent to Ayatollah Khomeini.

Mr Behzad Nabavi, the *Government's spokesman*, said yesterday: "This event is unique in world history."

Although Mr Nabavi put a *brave face on the official position* of "business as usual," there was more truth perhaps in his comment that: "For us *the loss of these people* is a catastrophe, while for themselves it was a short-cut to heaven."

For the oppoistion, both Mr Nabavi and Ayatollah Khomeini had only the harshest of words. Mr. Nabavi said: "This is the last time *that I warn the opposi*tion that they have not yet felt the full power of the Islamic Republic, but very soon they will."

It is still unclear who was responsible for the explosion. The main opposition group, the progressive Moslems of Mojahedin-e-Khalq, has not claimed responsibility.

A number of others such as the anti-clerical Forghan organisation, which has assassinated a number of leading clerical figures since the overthrow of the Shah, or some of the smaller Left-wing groups are all suspect in the search for the assassins.

It is possible that a Right-wing organisation was res*ponsible*. The *Government* blamed "mercenaries connected with the USA" and the official news agency attacked Leftists *opposed to the regime*.

Mr Bani-Sadr has been ruled out. He was probably incapable of *masterminding* the explosion, the Government said yesterday.

But the impeachment of the President had already led to a purge of the Government's enemies, dozens of whom have been executed in the past seven days.

The weekend bombings may well be *the opposition's* response to the almost-nightly executions.

Mr Nabavi tried yesterday to sound confident, saying that recent events and the explosion itself marked the "start of the third revolution." This will be more *important* than either the "first (overthrow of Shah) or the second (seizure of U.S. hostages)," he claimed.

But his references to the million lives lost in the Algerian national struggle may not assure a population which is increasingly concerned that, short of counter-terrorism, there may be little this regime can do to silence its opponents.

Hidden arms

All sides agree that today's Iran cannot be compared with that of the late Shah. The *previous regime* was at peak strength when it faced terrorist attacks in the early 1970s. Then the guerrilla groups were *small and poorly armed*.

But the combined anti-regime opposition must be able to muster several hundred thousand activists nationwide, many of whom have hidden arms.

For the time being, the Government's answer to the crisis is an appeal to the population to help it police the opposition. "We have a '36m Moslem Savak' (the late Shah's dreader secret police)," Mr Nabavi said, "and while continuing with their day-to-day activities, all are security officials of the Islamic Republic."

Leadership shattered, Page 4

£ in New York

	June 26	Previous
Spot	$1.9560-9600	$1.9400-9428
1 month	1.27-1.35 pm	1.12-1.19 pm
3 months	2.80-2.90 pm	2.80-2.90 pm
12 months	5.95-6.15 pm	5.70-5.90 pm

Independent survey reveals outright lift-truck leader.

Everyone claims their trucks are best. So why not ask a wide range of your fellow truck users which make of truck they think is best?

Business and Market Research Limited have recently done just that in a totally independent 1981 survey. 200 companies were questioned about their experience with the ten leading lift truck makes available in Britain today. Since most companies run mixed fleets, direct on-the-job comparisons were also possible between makes.

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Good Design: No.1-Lansing Bagnall.
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Long Life: No.1-Lansing Bagnall.
Competitive price: Equal First – Lansing Bagnall.

Bearing in mind the wide range of makes and truck types involved, further comment would appear superfluous. So for a practical demonstration of what these results can mean for your business, contact your local Lansing Depot right now.

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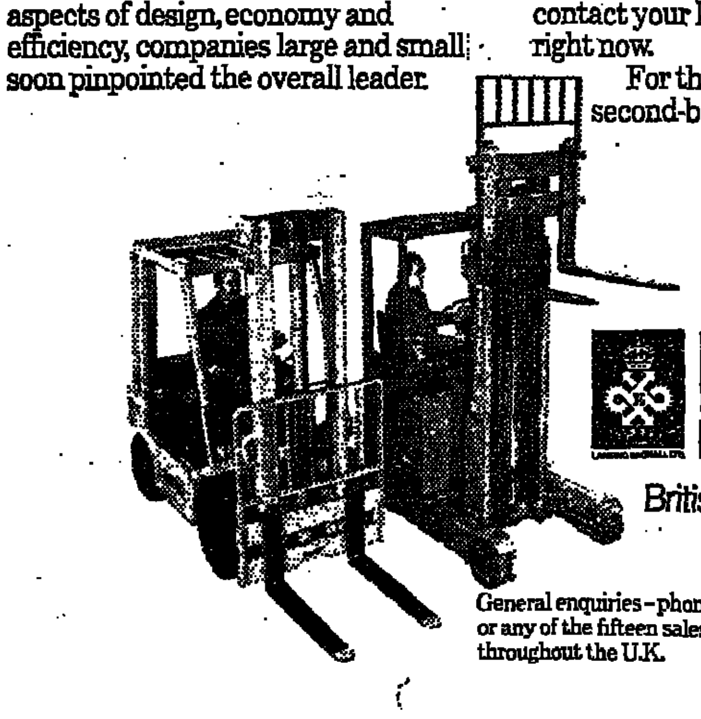

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WARSAW AND KATOWICE PICK CONGRESS DELEGATES

Hardliners dominate in party polls

BY CHRISTOPHER BOBINSKI IN WARSAW

● Mr Kania (left) ... more secure than ever

POLAND'S Communist Party reformer have failed to win a majority in elections of delegates to next month's party congress in either Katowice or Warsaw, two of the country's largest provinces. These politically crucial areas thus should counterbalance more radical party centres, such as Poznan, Gdansk or Lodz, and help to calm Soviet fears of a sweeping victory by reformers at the congress.

Mr Stanislaw Kania's position as party leader, however, is more secure than ever. He has managed to maintain the middle ground by winning election as a delegate in Krakow, a radical centre, while supporting for re-election hardliners, such as Mr Andrzej Zabinski, the first secretary in Katowice, and Mr Stefan Olszowski, in Warsaw.

The Warsaw party meeting at the weekend chose Mr Olszowski as a delegate meaning that almost the whole of the present leadership will be at the congress. This is important as only delegates can be re-elected to the leadership.

By contrast, Mr Stefan Bratkowski, the head of the Polish Journalists' Association and a symbolic figure for the reformers, won only a quarter of the Warsaw party conference's 443 votes and failed to win a place at the congress.

Mr. Olszowski has been under sharp attack by the party rank-and-file for his hardline methods of running the media but has recently moderated his statements. Feeling the ground a little firmer under his feet at the Warsaw conference, however, he declined to dissociate himself from the new hardline weekly, Rzeczywistosc.

He said it was too early to take a position on the paper's political line but it had "courageously taken on the enemies of socialism."

Its latest issue suggests that the delegates elected to the party congress would not ensure that the party's "working-class Marxist-Leninist line" would be maintained, and that more workers should be co-opted as delegates.

Meanwhile, the Warsaw branch of Solidarity, the independent union, has re-elected overwhelmingly its leader Mr Zbigniew Bujak, a 27-year-old fitter from the Ursus tractor factory just outside the capital.

Economy in danger of collapse, warns union

BY OUR WARSAW CORRESPONDENT

THE POLISH economy could collapse within months unless the Government takes immediate action, according to a report by the research unit of Solidarity, the independent union.

The crucial factor in recovery is export growth, particularly of coal, it says. This year's drop in coal production "is one of the main reasons for the dramatic shortage of energy and hard currency in 1981." The decline is the result of miners winning the right to a five-day week last autumn. This has led to a 20 per cent drop in hours worked.

The report admits, however, that no satisfactory way has been found to encourage miners to work an additional day a week. Export growth is essential as only then can goods be imported to exploit more fully the country's productive capacity and Poland's standing in the eyes of Western bankers be raised.

National income is forecast by the report to drop by an unprecedented 15 per cent this year, a figure which was confirmed by the Government at the weekend. Solidarity's research group paints a sombre picture of an economy in which shortages are fast mounting and threatening to bring the country to a halt.

The growth of incomes, it says, is leading to a breakdown of the money system, with excess demand over supply amounting to half the value of annual supplies to the shops by the end of the year.

Managers find themselves in a void, the report says, with the old system of decision-making totally discredited and economic reforms as yet not introduced. It argues, however, that the Government must combine immediate central decisions with the introduction of decentralising reforms. The prices paid by industry for goods and raw materials, as well as retail prices, must be raised to cover costs of production, but only after consultations.

Industry must be encouraged to export and financing of imports of goods necessary for export production must be assured. At the same time, all barriers to a growth in agricultural production must be removed, in order to save on imports of animal feeds.

The report says that one of industry's main problems is that shortages of hard currency for relatively small-scale imports of spare parts or raw materials are leaving production capacity idle. Growth in export income used to eliminate these myriad bottlenecks would lead to a considerable growth in production.

Despite favourable weather this year, the report warns, the harvest may well be below the average for the poor years between 1976 and 1979 because of shortages of fertilisers and herbicides. However, the report believes that the establishment of a private farmers' trade union and reforms in the state farms, which make them independent of state control, have created the necessary political conditions for a growth in production.

This should mean that the demand for food, except meat, should be satisfied in the coming years. Meat production, however, will still be dependent on grain imports and these will be determined by availability of hard currency.

Ford bid to end Amsterdam sit-in

By Charles Batchelor in Amsterdam

THE MANAGEMENT of Ford Nederland will try today to gain a court order ending the five-day-old occupation of the offices and factories of its Amsterdam lorry assembly plant.

Ford claims that three unions representing the workforce, as well as the works council, failed to go through established negotiating procedures and did not take sufficient account of the company's interest. It demands an end to the occupation within 24 hours and the resumption of deliveries to dealers with a penalty of Fl 100,000 (£19,000) for every hour that the blockade continues.

The workers began their occupation charging that the management had refused to hold serious discussions about keeping the plan open. Ford wants to shut it in September because of rising losses.

Union representatives at Ford plants in Britain, West Germany and Belgium have promised support for their colleagues in Amsterdam.

The Ford workforce also has the support of Amsterdam City Council and Dutch members of the European Parliament.

On Friday they presented two sets of proposals for restoring profitability. The first involves stepping up production of the Transcontinental heavy lorry to 15 a day and increasing sales by cutting the price. The factory would also start producing Escort vans and could boost Transit van production.

The alternative proposal is to produce only light vans and to take on a "buffer" role making cars.

Kevin Done and **Stewart Fleming** write from Frankfurt

West Germans burdened by record interest

FOR WEST GERMANS buying a new car or house, life has seldom been so expensive.

Interest rates are at unprecedented levels. They have more than doubled in the past two years, and with inflation running at only 5.6 per cent, the country is burdened by some of the highest real interest rates in the industrialised world.

Disappearing, for the moment, are the safely predictable days of long-term, fixed-interest financing. West Germans, until a few months ago, accustomed to home loans at low fixed-interest rates over 10 to 15 years, are now being exposed, like Americans before them, to uncertain mortgages.

West Germans intent on indulging their great passion for foreign holidays by running up bank overdrafts are today being charged the princely rates of 16-18 per cent for the pleasure, compared with around 7 per cent two years ago.

If surging petrol prices have not been enough to put off prospective car buyers, the idea of paying 18-22 per cent for a hire purchase loan is increasingly dampening the hopes of many motorists wanting to renew their most cherished status symbol.

For the first time in years, West German tourist spending abroad is expected to stagnate in 1981.

After the boom years of the late 1970s, the West German motor industry had expected sales to cool, but new registrations have now been falling for two years and manufacturers have been forced into expensive dealer promotion schemes and to cut prices to try to bring some life back into the market.

The housing market picture is little different. Mortgage rates of 12 to 13 per cent are again double the 6 per cent of two years ago and prospective house buyers are being told by their banks to think again before burdening themselves with interest rates and monthly repayments which could lead to distress sales in a few months.

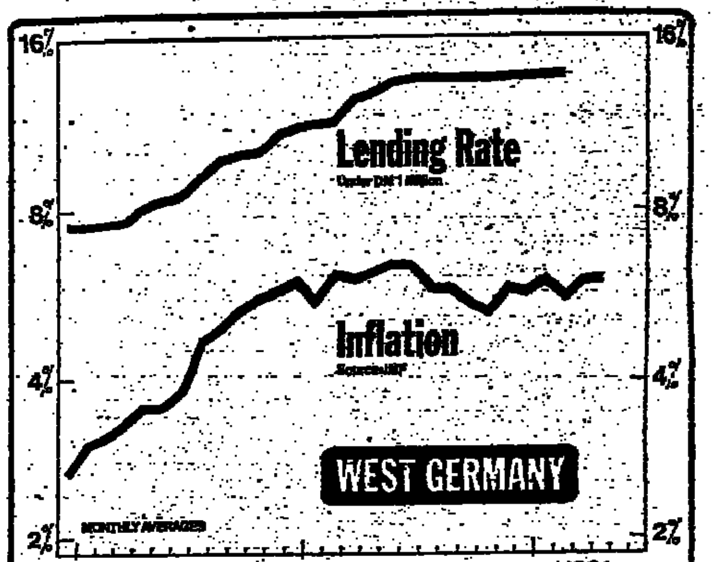
The impact on the building industry has been direct. The number of new home approvals in January and February was 17.6 per cent below the level of a year ago and for houses inhabited by one or two families, activity was down by as much as 20 per cent.

Partly as a result, bankruptcies in the building industry in the first three months of this year reached a near record —352, second only to the highest-ever quarterly total of 358 in the first three months of 1975, the depression year.

The pressure on small businesses generally is the same. Small- and medium-sized companies wanting to buy new machinery or equipment are facing interest rates of up to 15 per cent. Capital investment in industry generally, though falling, has surprisingly not been hit as hard as might have been expected by current interest rates. It is small wonder that the Government felt the need to step in to aid smaller companies with the launch of a DM 6.3bn (£1.3bn) cheap loan scheme offering interest rates of 9.5 per cent.

Company bankruptcies in the first four months of the year, at 3,619, were up by 22 per cent, and in March alone the figure was 36 per cent higher than a year ago.

Admittedly, in the capital markets interest rates have begun to fall back in the last couple of weeks from their record levels at the end of May, but the average West German private borrower is unlikely to see an early fall in the cost of money. After one of the hardest years for the banks' profits in their post-war history, they are much more intent on improving their interest margins than in offering their customers cheaper credit.



As it is, the banks are having to pay much more for the money they take from West German savers, who have become far more interest rate conscious in the past 18 months.

Instead of leaving their money in savings accounts, which attract interest payments of only 5 per cent, savers are shifting into short and medium-term deposits. For DM 10,000 or more deposited for a month, they are now paid interest of 8 to 10 per cent, while quoted one-year bonds for DM 10,000 or more will bring yields of 12 per cent or better.

Unprecedented interest rates have hit the construction industry, car manufacturers and the tourist trade. Gone, for the moment, is the security of long-term, fixed-interest financing. The number of bankruptcies is rising fast.

To borrowers in the UK or the U.S., West German interest rates may not seem so horrific—but they have inflation rates at least double the West German level, helping to bale them out of the burden of their debts.

If the Bundesbank (the central bank) has its way, West Germany will keep enjoying some of the world's lowest inflation rates. But the cost of this most cherished policy is likely to be a continuation of high real interest rates. In addition, with a massive deficit on the current account to finance through foreign borrowing, Deutsche Mark interest rates will probably have to remain closely tied to dollar rates for some time to come. The days of cheap credit are unlikely to return in a hurry.

Tradition dies hard in such a financially conservative country as West Germany, however, and it is hard to believe that when interest rates do come down again—even if not to the historically low levels of the 1960s—long-established patterns of doing business will not reappear.

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June, 1981

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EXTRACTS FROM THE REPORT OF THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL MEETING OF 3rd JUNE 1981

Taking into account the worsening of the economic situation in general and of the maritime conjuncture in particular, CMB recorded satisfactory results in 1980. This is due to the relative recovery of certain of its regular lines, to the widening of its scope of activities and to the permanent efforts to get the most out of its potentialities. With regard to its strategy, the Company continued its policy of diversification and to this effect made very important investments, for its own account or through its subsidiaries.

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In the Antwerp port, another subsidiary, STOCATRA, decided to build a new terminal for the handling and storage of bulk commodities at the Delwaide dock, involving an investment of about 1,700 million francs.

The profit to be allocated for the financial period 1980 amounts to F183,358,155 against F157,900,353 for the preceding year, after depreciation and write-offs for F1,133,534,000 against F808,237,000. The net dividend for the financial period is fixed at F300 against F270 for the preceding year.

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UK denies row with Spain over air crash report

BY MICHAEL DONNE IN LONDON
AND TOM BURNS IN MADRID

THE UK Department of Trade yesterday strongly denied weekend reports of a serious row between British and Spanish aviation authorities over the latter's report on the Dan-Air crash at Tenerife in April last year.

The Dan-Air 727 jet, on a holiday flight from Manchester, crashed into a Tenerife mountainside, killing all 138 passengers and eight crew.

The report of the Spanish investigation into the accident, leaked in Madrid over the weekend, put part of the blame on the pilot. This led to suggestions that the UK Accidents Investigation Branch of the Department of Trade disagreed strongly with the report.

Mr Geoffrey Wilkinson, Deputy Chief Inspector of Accidents, flew to Madrid yesterday to discuss the report with the Spanish *authorities. But it was stressed* in London that his visit was a matter of courtesy, to inform Spain that Britain would add its own comments to the translation of the report on its publication

It is believed that they will suggest that the report puts too much of the blame on the pilot and not enough on the inadequacies of air traffic control at Tenerife.

At the centre of the controversy is the airliner's flight path and the instructions given the crew by ground control at the airport. The report contends that although the information was not complete, the crew did not ask for clarification.

The airport was in thick cloud and the Dan-Air pilot was instructed to "hold" while an inter-island flight was making its approach to the runway.

In doing so, the pilot is alleged to have failed to take account of the local terrain. The *report suggests he was* "manifestly disorientated" and that there was "imprecise navigation" on the part of the crew.

The ground controllers are also criticised, however, because they gave the crew too little time to work out the particular "holding pattern" they were required to fly while *waiting to land.*

The Spanish report says that a contributory fact to the Tenerife crash was that the holding pattern given to the Dan-Air crew was not published in advance, so that the crew did not know of it, and had too little time in which to work it out from their existing charts. But it also says the crew did not ask for clarification.

French interest rate move

BY TERRY DODSWORTH IN PARIS

INTERVENTION by the Bank of France brought down French money market rates yesterday for the first time since they were pushed up to record heights at the end of last month.

In a limited move designed to act only on day-to-day refinancing costs to the banks, the Bank reduced its intervention rate in the money market from 20 to 19 per cent. But the seven day Treasury Bill rate, the main market indicator in Paris, was left firmly anchored at 22 per cent, the level it reached on 22 May during the crisis measures taken to defend the franc.

Yesterday's reduction indicates the relative success of the authorities in halting the run on the franc. Even the appointment of communist Ministers to the new Government last week failed to trigger a crisis as many dealers feared, although there were signs of some Bank of France currency support dealings at the end of the week.

● The toll of victims at the top of French broadcasting stations following the change of Government rose yesterday with the removal of M Jean-Pierre Elkabbach, head of news at the Antenne-2 television channel, writes David White. He was the favourite target among critics of the way news was handled under President Giscard.

Ruling party in Greece opens poll campaign

By David Tonge in Athens

THE GREEK Defence Minister, Mr Evangelos Averof, yesterday took over responsibility for the country's troubled economy. He was sworn in as Deputy Prime Minister, a post he had refused a year ago when narrowly beaten in a vote for the leadership of the ruling New Democratic Party.

His acceptance now is an indication that Greece's general election campaign is finally under way. Elections have to be held this autumn and Mr Averof is determined *to ensure that New Democracy* will fight hard against Pasok, Dr Andreas Papandreou's strengthening socialist movement.

Mr Averof will keep his defence portfolio. His new responsibilities are something of a poisoned chalice. The economy is static, the inflation rate is around 25 per cent, moves have to be taken to rescue several of Greece's largest companies, and low tax receipts have severely hit government finances.

No significant changes in economic policy are expected but Mr Averof has agreed to take the Deputy Premier's post in an attempt to unite the opposing strands of a relatively dispirited party against the spectre of Dr Papandreou. Various polls indicate that Pasok could win the election, now predicted for late September or early October.

Mr George Rallis, the Prime Minister, has run a moderate low-key government. Mr Averof, who has *the support of Greece's traditional right wing*, is calling for an aggressive campaign against the "Marxist threat" which he believes Dr Papandreou poses to Greece's social order.

On Saturday Dr Papandreou took his own campaign to the conservative stronghold of Sparta in the Peloponnese where the crowds he attracted alarmed his opponents. He called for an early election saying that four more months of New Democracy rule would have "tragic consequences" for the economy.

Brandt sounds out Russia on arms

BY ROGER BOYES IN BONN

Herr Brandt . . . invited to Moscow

HERR WILLY BRANDT, chairman of West Germany's ruling Social Democratic Party (SPD), flew to Moscow yesterday with the aim of gauging the Soviet leaders' attitudes towards future arms control talks with the United States.

Although he has no formal ministerial role, Herr Brandt goes with the blessing of Chancellor Helmut Schmidt and has stressed that he will explain Bonn's policies rather than negotiate. He had been invited formally by Mr Leonid Brezhnev, the Soviet President

The visit is viewed as important by Bonn for two main inter-related reasons. In the first place, a fresh Soviet committment to serious arms control talks with the United States may help calm West German fears about delays in the negotiations. Much to Bonn's dismay, Mr Eugene Rostow, a senior U.S. arms control expert, recently said that strategic arms talks might not resume for at least nine months.

Secondly, if Moscow can give Herr Brandt an idea of what it believes should be on the negotiating table, the Bonn Government will be better able to sell to sceptics in the SPD Nato's 1979 decision deploy new nuclear missiles while offering talks on arms control It is hoped that Herr Brandt, as a non-governmental representative, will be able to glean details of the Soviet stance without actually prejudicing the Western negotiating position..

Herr Egon Bahr, formerly Social Democratic Party manager and a close confident of Herr Brandt, went to Moscow some two weeks ago and came back convinced that the Kremlin was ready to make "serious concessions" in future arms talks.

The problem is that he has been identified closely with only half of the Nato decision. His emphasis repeatedly has been on the need to speed up talks between the superpowers and in the hope that some of the planned stationing of new U.S. missiles in Europe would be rendered unnecessary.

This had led to fears being expressed openly by the opposition and discreetly by U.S. aides close to the Reagan Administration that Herr Brandt will use the Moscow trip to distance himself from the Nato decision. Herr Brandt—and Chancellor Schmidt—have been at pains to point out that this will not happen.

Herr Hans Juergen Wischnewski, a strong supporter of the new missiles, yesterday accompanied Herr Brandt to Moscow and will thus act as a form of "insurance policy" should the U.S. express doubts openly about the trip.

Economic priorities are changing, writes **Hilary Barnes**

Dane's attack on spending pays off

NO ONE would pretend that the Danish economy is back on its feet after the battering it has taken in the past decade. But there is some evidence that it is slowly being turned round to point in a more promising direction.

Equally, no one would have believed a couple of years ago that it would be possible to halt the real growth of social services and health and education spending. Yet over the past year this is precisely what the Social Democratic minority Government has done, even if it has not succeeded in slowing down the growth of total public spending by as much as it intended.

The control of mushrooming public spending is one of the main points in the Government's medium term plan for the economy, and it is regarded as an essential condition for a policy of "producing our way out of our problems."

> Denmark's problems are considerable: unemployment is high, the budget and balance of payments are in deficit, public sector borrowing is heavy and interest rates are crippling industry and agriculture. The government policy is to "produce our way out of problems."

These problems remain considerable: unemployment is running at around 9 per cent; the balance of payments deficit has been stuck at around 4 per cent of gross domestic product since 1973; the net foreign debt at the end of 1980 was 24.9 per cent of GDP; the budget deficit is about 7 per cent of GDP and the borrowing requirement 11-12 per cent of GDP; and long-term interest rates of 18-19 per cent are paralysing industry and agriculture.

The public sector is still growing as well. Real public spending increased by about 3 per cent in 1980 and will increase by about the same in 1981, while GDP in both years will have shown a decline of about 0.5 per cent.

There has been continued increase in public sector employment, more people receiving unemployment benefits or early retirement pensions, and more pensioners through normal retirement. The result is that the number financially dependent on the public sector may now be about the same as the number of people employed in the private sector.

Although public spending is rising, the rate of increase has slowed and public spending priorities have changed radically. These trends emerge clearly in the Government's recently published public spending white paper.

In 1979 real public spending increased by 5.5 per cent, with local government spending up by 7.9 per cent. The growth of total spending was reduced to 3.1 per cent in 1980 and to an estimated 2.8 per cent this year. Local government spending has only grown 2.6 per cent this year. The Government aims to reduce the increase in total public sector spending to 2.4 per cent in 1982 and 1.5 per cent in 1983.

Spending on items, including pensions and unemployment benefits, increased in real terms by 5.5 per cent in 1979. This year the increase will be about 2.1 per cent and in coming years it is intended to prevent any further real increase.

Spending on social services, including health and education, increased by 6.2 per cent in 1979. This year the increase will be 1.1 per cent, and health and education spending will actually show a tiny reduction in real terms.

In contrast, infrastructure expenditure and spending for labour market and business support policies is increasing.

Infrastructure spending will increase by 8.3 per cent in 1981 and by a planned average of 3.3 per cent from 1981-84. This includes *investment in* energy-saving and energy supplies, notably investment in the distribution network for natural gas from the Danish North Sea sector.

Spending on help for industry will rise by about 5.5 per cent a year in 1981-84, much of it for credit policy measures which enable industry and agriculture to raise medium-term loans at below the 18-19 per cent domestic market rates.

The opposition parties are far from satisfied with the government's performance on public spending and would like to see an even tougher line, especially in view of the large budget deficit and the attendant financing problems. But they accept that the government has succeeded in braking public spending and is moving priorities from welfare towards investments with a potential for helping to improve the balance of payments deficit.

Haughey presses for solution to Maze crisis

By Stewart Dalby

MR CHARLES HAUGHEY, the Irish Prime Minister who is fighting to keep his minority Fianna Fail party in power against an opposition coalition, has told the British ambassador in Dublin that Britain has a responsibility to make "an immediate effort" to find a solution to the Maze prison hunger strike.

A statement issued from the Prime Minister's office said the hunger strikers, who now number eight, are a "continuing source of tension and danger."

Mr Haughey recently promised to make a fresh initiative on the hunger strike problem, although he has not spelled out *what form* the initiative would take.

His calling on the ambassador was assumed to be timed partly to coincide with the scheduled debate in the House of Commons at Westminster later this week over the Emergency Powers Act, when Mr Humphrey Atkins, the Secretary of State for Northern Ireland, is expected to make a statement about the hunger strikers.

However, the demand for an immediate effort by Mr Haughey is thought by observers also to be pitched at some of the six independents who hold the balance of power in the Dail (parliament).

The Dail re-assembles today to elect a new prime minister following the inconclusive general election earlier this month.

Two of the 166 deputies elected are H-block prisoners and so cannot take their seats. Of the remaining 164 seats Fianna Fail won 78. Fine Gael, the main opposition party won 65, the Labour Party 15 and independents 6.

Mr Haughey must therefore win over four of these independents if he is to retain power. Two, Mr Neil Blaney and Dr John O'Connell, are thought to have made it a condition of support that Mr Haughey take a stronger line on the H-blocks.

Dr Garret FitzGerald, the Fine Gael leader, would seem to have the best chance *of forming* a government. His party has formed a coalition with the Labour Party and they have 80 seats. At least two of the independents would seem ideologically compatible with the coalition.

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FT1

Bomb explosion shatters Iranian political leadership

BY PATRICK COCKBURN

THE BOMBING of the ruling Islamic Republican Party's headquarters in Tehran on Sunday night has shattered the leadership of the country.

Not only have the fundamentalist clergy lost their leader, Ayatollah Beheshti, considered to be the most astute politician in Iran, but many less widely known second rank leaders have also been killed. The death toll is at least 69.

It is difficult to think of any historical parallel when so many of the leaders of a single political party have been assassinated at the same time.

The surviving members of the Government were yesterday moving to show that they are still in control, though it is not clear if they will respond to the attacks by a wide-ranging purge of all their political enemies. Over the past week some 70 members of the opposition, mainly from the progressive Moslem Mojahedin organisation, have been executed by firing-squad.

Candidate

The most obvious candidate to replace Ayatollah Beheshti was the Tehran religious leader Ayatollah Khamenei, but he was himself badly injured by a bomb concealed in a tape recorder last Saturday.

The initial shock of the assassinations may allow such surviving political leaders as Hojatoleslam Hamashemi Rafsanjani, the Speaker of Parliament, to shore up the Government, but he is unlikely to be able to exercise the same authority as Ayatollah Beheshti.

There are many Iranians who do not much care for the present regime, but have no desire to see Iran slip into civil war or a return of anything akin to the Shah's Government.

But in the longer term the bombings have already prevented the clergy consolidating their powers, as seemed likely after the overthrow of Mr Abolhassan Bani-Sadr earlier this month.

Impeached

At the moment that President Bani-Sadr was impeached Ayatollah Beheshti and his party would have seen the events of the previous 18 months as a series of political victories. They had crushed the moderate nationalists under former Prime Minister Mehdi Bazargan. They had eroded the power and finally overthrown the President himself. They also controlled all Government posts, the Administration and powerful revolutionary institutions such as the Revolutionary Guards.

In the event, it appears that by driving all opposition underground, Ayatollah Beheshti and the other IRP leaders have created more dangerous enemies who will actively fight the Government.

It is not clear yet who exactly is behind the bombings. A number of obvious suspects present themselves: The largest and best organised opposition grouping is the progressive Moslem Mojahedin - e - Khalq party. They had previously said that they would fight back only if attacked, but they could have organised and carried out the bombings.

It is, however, a little more likely that a small group from the fringes of Iranian politics, a political area which has always had a reputation for ferocity, was behind the killings.

Successful

Although the clergy under the leadership of Ayatollah Beheshti had been successful in taking over Government power —and has always enjoyed substantial backing from the revolutionary leader Ayatollah Khomeini—it has paid for this on the streets of Tehran with ever-dwindling popular support.

The opposition, fragmented and diffuse, has grown in popular esteem even as the regime appeared to secure its power. The existence of President Bani-Sadr did something to defuse opposition because he acted as a focus for the regime's opponents, but he was unable to mobilise the sympathy with which he was regarded into a powerful movement.

With his departure, the Government was left facing the hard core of the opposition, many of whose leaders had fought underground against the Shah. These opponents now appear to have struck back with a savage and devastating effectiveness.

Initially, many Iranians will be understandably shocked by the bombings, but the feeling that the IRP and the fundamentalist clergy are unstoppable may now dissipate.

The Government can reform its ranks. It may well decide on a night of the long knives against its enemies. But the battle for power in Iran has now moved away from votes in parliament and impeachment proceedings towards a fight to the finish in the streets.

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Notice to Holders of

LTV International, N.V., 5% Guaranteed (Subordinated) Debentures Due 1988

The LTV Corporation, a Delaware corporation ("LTV"), hereby gives notice to the holders of the LTV International, N.V., 5% Guaranteed (Subordinated) Debentures Due 1988 (the "Debentures"), pursuant to Section 4.08 of the Indenture dated as of July 1, 1968 among LTV International, N.V., LTV as Guarantor, and Bankers Trust Company as Trustee, that LTV will distribute all of the Common Stock of Wilson Foods Corporation ("Wilson"), LTV's wholly owned meat and food products subsidiary, to the holders of LTV Common Stock and LTV Special Stock, Class AA Accumulating Convertible (the "Distribution").

The Distribution will be on the basis of (i) one share of Wilson Common Stock for each 10 shares of LTV Common Stock held, and (ii) 1.5 shares of Wilson Common Stock for each 10 shares of LTV Special Stock held, at the close of business in Dallas, Texas on July 10, 1981, the record date for the Distribution (the "Record Date"). The physical distribution of the shares of Wilson Common Stock will be on July 31, 1981.

Holders of the Debentures will not participate in the Distribution. However, as discussed below under Alternatives Available to Holders of Debentures, the Debentures are convertible into LTV Common Stock at any time at the option of the holder, and holders who convert their Debentures on or prior to the Record Date will participate in the Distribution provided they are holders of LTV Common Stock on the Record Date.

ALTERNATIVES AVAILABLE TO HOLDERS OF DEBENTURES

1) Convert their Debentures into LTV Common Stock at a conversion price of $23.36 per share (or approximately 42.81 shares for each $1000 principal amount of Debentures). The closing price of the LTV Common Stock on the New York Stock Exchange on June 24, 1981 was $22.75. Holders of Debentures who exercise their conversion rights on or before the Record Date (July 10, 1981), and who continue to hold LTV Common Stock on the Record Date, will participate in the Distribution and will receive one share of Wilson Common Stock for each 10 shares of LTV Common Stock held on the Record Date. Cash will be paid to the holders of LTV Common Stock in lieu of any fractional share of Wilson Common Stock.

2) Continue to hold their Debentures or sell them on the open market. Holders of the Debentures who do not convert on or before the Record Date will not participate in the Distribution. The closing price of the Debentures on the Luxembourg Stock Exchange on June 24, 1981 was $96 — $97 principal amount of Debentures. Holders who do not convert or sell their Debentures will continue to enjoy all the rights and privileges which attach to the Debentures.

IMPORTANT FACTORS TO BE CONSIDERED

1) Interest on the Debentures is paid annually on the 1st of July. Holders who convert their Debentures on or after July 1, 1981, but no later than July 10, 1981, in addition to receiving the annual interest payment due on July 1, 1981 will also participate in the Distribution provided they continue to hold the LTV Common Stock on the Record Date.

2) Following the Distribution, Wilson Common Stock will be traded on the over-the-counter market. No determination can be made with respect to the initial trading price of such stock. As of March 31, 1981, the pro forma net book value of the Wilson Common Stock is estimated to be at least $13.96 per share.

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Holders may convert their Debentures into shares of LTV Common Stock by surrendering their Debentures, with all unmatured coupons appertaining thereto, to LTV at the office of one of LTV's designated conversion agents listed below (the "Agents"), together with a written notice of election to convert executed by the holder and specifying the name or names in which the shares of LTV Common Stock deliverable upon conversion shall be registered, and stating the addresses of the persons so named.

The following are the Agents to which holders may surrender their Debentures for conversion, together with the written notice described above, either personally or by mail. The Debentures and the required notice of election to convert must be surrendered to one of the Agents on or before the Record Date (July 10, 1981) in order for the converting holder to participate in the Distribution.

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Head Office — Securities Department
NL Direzione Centrale
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Ayatollah Beheshti: the man behind Khomeini

By Our Foreign Staff

FOR THE supporters of Mr Abolhassan Bani-Sadr and any of the opponents of the clerical regime now trying to assert exclusive control over Iran, no vengeance could have been sweeter than the killing of Ayatollah Mohammed Hussein Beheshti.

He was not only the right-hand man of Ayatollah Khomeini, spiritual leader of the revolution, but also the astute tactician and manipulator through which the father figure exercised political control indirectly.

For his part, Dr Beheshti, as he preferred to be known, was the man mainly instrumental in turning Khomeini decisively against Mr Bani-Sadr before he was finally impeached by the Majlis (parliament), and dismissed eight days ago.

Dr Beheshti, 52, was the most dominant figure in the Islamic Republican Party, which took a step towards asserting an exclusive monopoly of constitutional power through ousting Mr Bani-Sadr, the isolated former head of state.

He held at the same time the key positions of Chief Justice of the Supreme Court and Secretary-General of the IRP.

Dr Beheshti dismissed criticism by Mr Bani-Sadr and other more secular opponents over the way he combined the two functions.

The Isfahan-born religious leader was the leading member of the Presidential Council, appointed in the wake of Mr Bani-Sadr's dismissal to exercise his powers and organise the election at the end of July of his successor.

His colleagues on it were Mr Ali Akhbar Rafsanjani, the Speaker of the Majlis, and Mr Mohammed Ali Rajai, the Prime Minister. Both of them are considered as leading contenders to fill the vacuum left by Dr Beheshti, but neither is likely to impose the same kind of authority.

Dr Beheshti consistently pressed his belief that the clergy should play the "vanguard role in politics." He is believed to have aspired originally to be President, prompting Khomeini to decree that the clergy should be excluded from the post. It was not ruled out that he would not be the next Head of State, however.

But "the one from heaven," as the IRP Secretary-General's name translates, was careful to avoid giving any impression that he was trying to rival Khomeini as spiritual leader or even to be seen to be leading events too directly.

Dr Beheshti apparently recognised Ayatollah Hossein Montazeri, as Khomeini's chosen successor to the spiritual over-lordship of the revolution.

For five years before joining Khomeini in France, before his triumphant return to Iran, Dr Beheshti was the spiritual leader of the Shi'ite Islamic community in and around Hamburg. There he learnt fluent German and English.

Dr Beheshti was chiefly responsible for building the IRP into the force that won an overwhelming majority in the parliamentary elections early in 1980. But he had to bide his time before he could oust Mr Bani-Sadr.

VICTIMS: Ayatollah Beheshti, above, Hojatoleslam Momtazeri, an MP, top right and Hassan Abbaspour, Energy Minister

Surviving leaders exonerate Bani-Sadr from complicity

BY PATRICK COCKBURN

IRANIAN officials were quick yesterday to discount speculation that former President Abolhassan Bani-Sadr, now believed to be hiding in Iran following his dismissal last week, was behind Sunday's bomb blast in Tehran which killed a sizeable section of Iran's leadership, including Chief Justice Ayatollah Beheshti, the second most powerful man in the country.

The second most important figure in the ruling Islamic Republican Party, Ayatollah Khamenei, was badly wounded by a booby-trapped tape recorder last Saturday.

Government spokesman Behzad Nabavi exonerated the former President from guilt at a news conference yesterday. "He may have been informed in advance," Mr Nabavi said, "but he does not have the power behind him to do such things."

Yesterday observers were placing responsibility for the blast with either of two groups opposed to the fundamentalist Islamic Republican Party which effectively rules Iran—the Forghan and the Mojahedin-e-Khalq.

The Forghan is the most active assassination group in Iran. Ironically, it is itself a fundamentalist religious organisation, which is violently against the role of the clergy, which it sees as interfering with the relationship between God and man.

Influenced by the ideas of the Iranian religious thinker Dr Ali Shariati, the group developed under the Shah's rule and has made up for its smaller numbers by the fanaticism of its supporters and the ruthlessness of its attacks.

It came to prominence after the revolution when it claimed responsibility for a number of assassinations, including that of the first chief of the armed forces and Ayatollah Mofatteh. The Forghan, which is believed to have received some support from Libya, last year developed a political wing, mainly among university students, called Armani-e-Mostazafin.

The Mojahedin-e-Khalq are the largest organised opposition group in Iran with up to 300,000 members. Allied to former President Bani-Sadr, they have come under increasing attack, including executions, over the past two weeks.

Founded in 1965, the Mojahedin are a progressive Moslem group with Leftist connections, and are led by Mr Massoud Rajavi. Their policy is believed to be to prevent the clergy of the Islamic Republican Party from consolidating the victory they won in overthrowing Mr Bani-Sadr.

It is not, however, clear that such a strategy would include the attack on Ayatollah Khamenei last Saturday or Sunday's bomb blast. The Mojahedin has in the past eschewed assassinations, though the recent Government executions may have led their leadership to adopt a new policy.

The organisation is particularly strong in the north of Iran and has very substantial support in Tehran itself. Observers recently noted that the Mojahedin was able to call 100,000 of its supporters onto the streets of the capital with only three hours notice. The group's weekly newspaper—published with the tacit support of Mr Bani-Sadr—was selling 300,000 copies.

The leading Marxist organisation in Iran is the Fedayin-e-Khalq. Together with the more fervently Islamic Mojahedin, this organisation started an armed struggle against the Shah in 1971.

In June last year the Fedayin split, with its majority faction backing the line of the pro-Moscow Tudeh Communist Party. The division was over the question of backing Ayatollah Khomeini and the Government line in Kurdistan.

Rescue workers search in the rubble for bodies at the devastated party headquarters

Mr Bani-Sadr: [illegible] not guilty

Saudis object to Awacs conditions

By David Buchan in Washington

SAUDI ARABIA is baulking at conditions on its purchase of Awacs radar aircraft which the Reagan Administration regards as vital if the controversial deal is to have any hope of winning approval in Congress.

Mr. Alexander Haig, the Secretary of State, has now warned that presentation of the Saudi arms package to Congress will be delayed to give the Administration more time to negotiate a measure of U.S. control over the aircraft.

Prince Sultan Abdul Aziz, the Saudi Defence Minister announced over the weekend that his country had placed a time limit for U.S. action on the sale. He did not set the deadline but said Saudi Arabia was not constrained from looking elsewhere for similarly sophisticated equipment.

Saudi officials have told reporters here that their country would reserve the right to use intelligence from the Awacs—converted Boeing 707s crammed with electronics—in any way it saw fit, even in defence against Israel.

At this negotiating stage, the Saudi officials refuse to contemplate American technicians actually controlling the use of the aircraft. But Riyadh could change its mind, if such restrictions appear to be the only means for the sale to pass Congress, observers feel.

There is a majority in both houses of Congress to block the Saudi arms deal, which also includes extra equipment for U.S.-made F-15 jet fighters. Last week 54 Senators came out against the arms sale, as did a similar majority in the House.

Thus the sale could become President Reagan's first foreign policy setback of any consequence. However, the Administration is confident that in the wake of the remarkable success of, the President's personal diplomacy on the budget, with Saudi co-operation they stand a fighting chance of getting the deal through.

China takes harder line on Kampuchea

By Kevin Rafferty in Hong Kong

DIFFERENCES of opinion are emerging between China and the non-communist countries of South-east Asia over handling the Kampuchean issue and who should attend the UN international conference in July.

China increasingly is taking a hard line. A paper by Peking circulated in the region objects to the Heng Samrin regime in Kampuchea being invited to the conference. At best it would allow Heng Samrin to be part of the Vietnamese delegation.

The members of the Association of South-East Asian Nations (ASEAN)—Indonesia, Malaysia, the Philippines, Singapore and Thailand—are reported to be prepared to allow Heng Samrin participate along with the other factions led by Prince Norodom Sihanouk, the former head of state, and by Son Sann, of the Khmer People's National Liberation Front.

Peking wants to put the maximum pressure on Hanoi with a strict timetable for withdrawing the 200,000 Vietnamese troops from Kampuchea. It does not want any such timetable, however, for disarming the estimated 30,000 Pol Pot guerrilas. Asean wants all Kampuchean factions disarmed before UN-supervised elections are held. It is afraid that if Pol Pot's forces are not disarmed, they may try to take control of the country again if the Vietnamese leave.

Mr Shimon Peres, the Labour Party leader, takes a stroll along the beach yesterday on the eve of the elections

Sri Lanka hopes for $1.5bn aid

By Mervyn de Silva in Colombo

THE WORLD BANK is to ask Sri Lanka's donors to pledge $960m this year and $550m in 1982 in order not to "allow Sri Lanka's bold economic experiment to fail." With the country's balance of payments certain to get worse, the Bank expects the current account deficit to rise to 21 per cent of GDP or $1.09bn this year. The bank will meet the donor countries in Tokyo today.

If the Sri Lankan Government's recent decision to reduce public investment, cut imports of consumer goods and oil, and push exports of gems, textiles and coconut products brings quick results, the deficit could be less than $850m.

Even so, a report from the Bank state that Sri Lanka will depend on aid for two-thirds of its foreign exchange needs. Commercial borrowings already made and those assumed for 1981 and 1982 will raise the debt service ratio to 14 per cent by 1986. Without policy adjustments, this ratio could however climb to 21 per cent, the Bank says.

Of the $960m recommended by the World Bank $475m will be in addition to the commitments for the Mahaveli irrigation and power scheme, the island's leading project. Along with the hoped-for $550m next year, this money will help cover financing gaps in existing projects, including local cost financing, quick-disbursing aid to financial institutions helping the private sector and food and commodity aid.

The Bank has impressed on donors the need to keep concessional aid at high levels in order to "ensure that the public investment programme which their indications of support had originally helped mould, does not have to be cut back to the point at which it becomes unviable."

Chinese 'liberal' Hu named as new party chairman

BY TONY WALKER IN PEKING

THE NEW CHAIRMAN of the Chinese Communist Party with overall responsibility for 1,000m people is barely 5 ft tall, like his mentor Deng Xiaoping, the powerful vice-chairman.

China is now ruled by two of the world's shortest leaders. The similarity in their stature may explain why Hu Yaobang and Deng are such close associates.

Hu Yaobang, 66, was appointed general secretary of the party secretariat last year. This has given him day-to-day control of party affairs.

The relationship between Deng and Hu goes back to the long march of the 1930s led by Mao Tse-tung, late party chairman.

In 1941 the relationship between Deng and Hu was strengthened when Hu Yaobang, then a 26-year-old political commissar, served under Deng in battles against the Japanese.

Like Deng, Hu was twice purged during the 1966-76 cultural revolution. Before his downfall, Hu was responsible mainly for youth affairs.

Since 1978 he has served as head of the party central committee's propaganda department, an official of the discipline committee, and general secretary of the central committee—a post he retains.

Hu Yaobang . . . tough

The new chairman is regarded as something of a liberal in the leadership. His appointment is not expected to be altogether popular with party hardliners, notably sections of the military.

Hu was appointed to the ruling politburo's standing committee early last year, a clear signal Deng was moving him into a position of power.

He is regarded as a tough political infighter with a streak of ruthlessness. He has the added advantage of solid backing from Deng Xiaoping.

In comparison with Hua Guofeng, the man he has replaced, Hu is a novice.

Choosing between the two faces of Zionism

BY ANATOLE KALETSKY, RECENTLY IN TEL AVIV

THERE IS a joke in Israel that the nation's existence depends on a lucky combination of divine intervention and dogged hard work. On the practical side, the Jews prepared themselves for the return to the Promised Land with 2,000 years of prayer. All this effort would have been to no avail, however, without a miracle that only God could bring about: Jewish boys learnt to shoot.

Some of the complex emotions that will be swaying the Israelis when they go to cast their votes in today's general election are well illustrated by this little story. For the choice between Mr Menahem Begin's militant Likud coalition and the more sedate Labour Alignment is not just a choice between political programmes. More importantly it is a choice between radically different visions of Zionism, and even of the type of men and women that the new Jewish State should create and foster.

Beneath the excitement and patriotic fervour that breaks out after each successive feat of military prowess, there is growing unease about the ideology of today's Israel, which is felt most strongly by the middle-aged, middle class Jews of European origin who are still bound to the traditional attitudes of European Jewry. This feeling was expressed to me most eloquently by the affluent businessman who came to Tel Aviv from Poland in the 1940s: "We Jews were renowned throughout Europe for our intellectual achievements, our passion for education, our love of the arts. I hoped that a true Jewish State would eventually turn into a kind of modern Athens—peace would create an unrivalled centre of learning, culture and science. But the younger generation seems to be building not a new Athens, but a latter day Sparta."

It was not, of course, Mr Begin who set the country on the path of militarism and who turned upside down the traditional Jewish preference for reason over force. The origins go right back to David Ben Gurion, the first Prime Minister.

There is, however, a difference in spirit, if not in practice, between the Labour and Likud attitudes to armed might. The continuous war, world isolation and deference to the military which many old-fashioned Jews regarded as a necessary evil, during the transition period before peace and full international recognition could be secured, are often presented by Mr Begin as the very essence of his vision

The contrast may be scarcely tangible, but it has two important. and potentially ugly, consequences which began to surface in the campaigns leading up to the general elections and which could play an ever-creasing role in Israel's political future. Firstly, racial prejudice—between Jews—is emerging as a powerful political force. Secondly, and even more alarmingly, there is a certain loss of faith in democracy.

There is also a powerful, if less obvious, link between the growth of racial tension in Israel and the choice that the country has to make, between the roads to Athens and Sparta. Central European Ashkenazy Jews still dominate Israel's political, economic, military and *intellectual* establishments, even though they are now a minority of the population as waves of immigration from Africa and the Middle East have swelled the Sephardic population. Many of these predominantly middle class people of European origin see a clear link between the growth of the relatively poorer and frequently less educated Oriental population, the rightward shift in the country's politics, the rise of "demagogy" and xenophobia and the erosion of what they have always regarded as traditional Jewish values.

But whatever the actual impact of Mr Begin's policies, he appears to represent a rejection of the status quo, while *the Labour Party, with its ally* the Histadrut Labour Federation (which owns many important businesses as well as representing organised labour) is very much the Establishment.

Whether he wins enough votes or not may well determine not just how the Middle Eastern conflict develops, but what kind of country it is that supporters of Israel all over the world have dedicated themselves to aiding and preserving.

Israelis vote today

MORE THAN 2m Israeli voters go to the polls today in one of the country's most crucial general elections, but it may be weeks or even months before a new coalition government is formed, David Lennon writes from Tel Aviv.

Because of the country's proportional representation system, no party has ever emerged with a majority. This means that after the election prolonged coalition haggling begins as the party with the largest number of seats in the Knesset tries to build a government with some of the smaller parties.

This is usually a lengthy process and the shortest time taken to form a coalition was the 33-day record set by Mr Menahem Begin in 1977. Under the law the president may give the leader of the largest party or the one with the most support in the new Knesset up to 42 days to form a coalition.

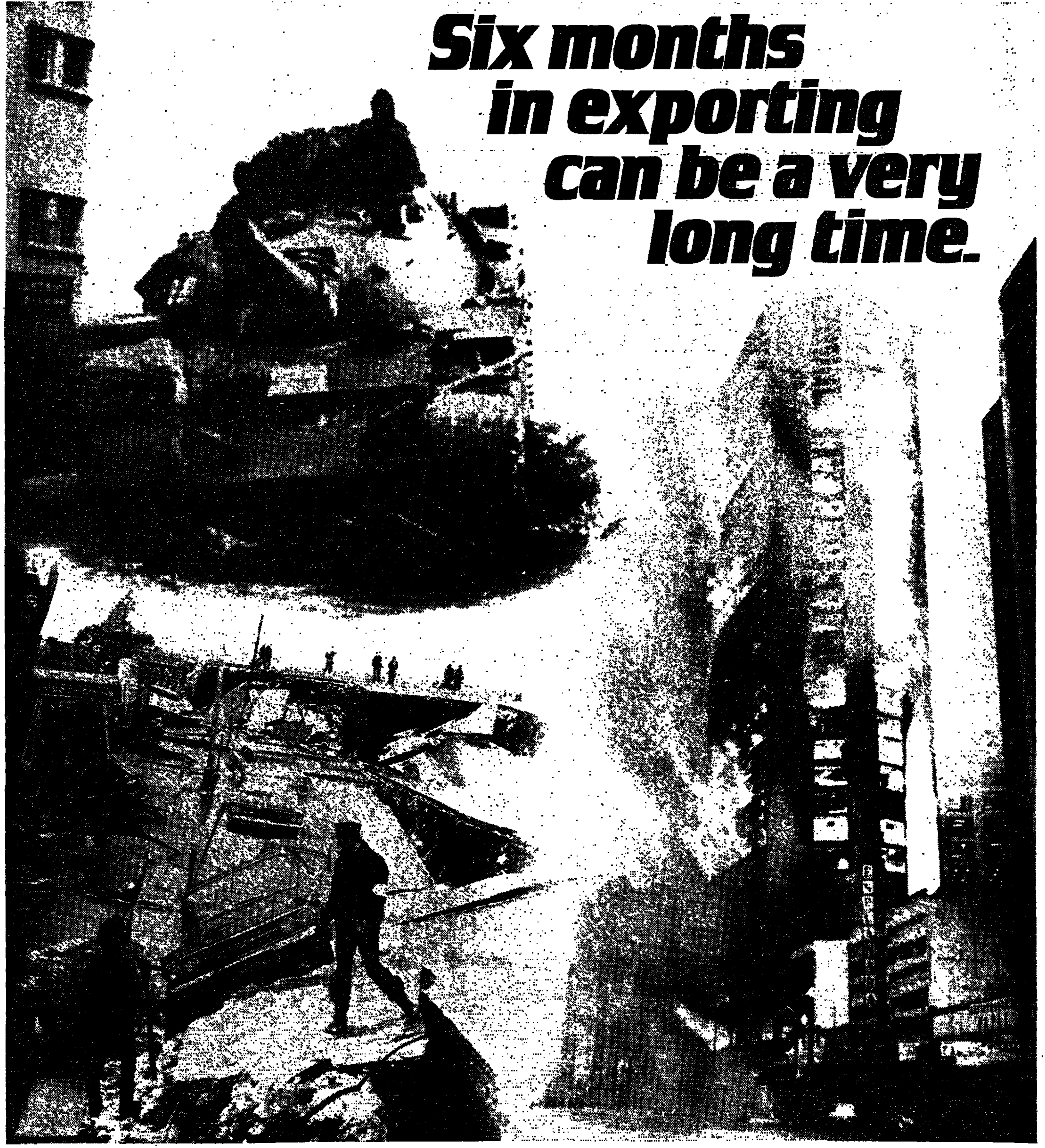
If he fails, the leader of another party is given a similar length of time to try his luck. There is even a provision for the president to give a third Knesset member another 14 days to try to construct a coalition.

With the public opinion polls predicting a close result it may be difficult for either of the leading parties, the ruling Likud bloc of Mr Begin, or the Opposition Labour Party headed by Mr Shimon Peres, to form a government.

As many as a dozen other parties may make it to the Knesset, with more of them being on the Right than the Left or Centre of the political spectrum. Because of this, it is felt that even if the Likud does not win the most seats it probably has a better chance of forming a workable coalition than Labour which have less potential allies among the smaller parties.

First results should be in by about midnight tonight, and a television prediction which proved very accurate at the last election will be announced the minute the polls close at 10 pm local time.

Wellwisher greets Mr Begin



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AMERICAN NEWS

Beryl Sprinkel is a key figure on the U.S. economic scene, writes **Reginald Dale**

Man with the 'second-best job in Washington'

TALK to anyone in Washington these days about the U.S. economy and it is a fair bet that the name of Beryl Sprinkel will crop up within the first two minutes. Dr Sprinkel (who turns out, rather confusingly, to be a "he," not a "she") is one of the principal official spokesmen for President Reagan's economic policy, a devout disciple of Milton Friedman and one of the new administration's most controversial figures.

His opponents, including some at the Treasury, where he holds the powerful position of Under-Secretary for Monetary Affairs, consider him an overaggressive monetarist." In their eyes, his obsession with the need for the strictest control of the nation's money is both economically narrow-minded and politically dubious.

He is at the centre of a fiendishly complicated argument over the techniques of monetary policy, reminiscent to the unitiated of the "how many angels on the head of a pin?" controversy. The debate has riven Washington's economic establishment in recent weeks and caused a major split between the Treasury and the nation's central bank, the Federal Reserve (the Fed).

To his friends and allies, he brings a breath of fresh air and common sense to a field which has too long been dominated by outdated ideas and methods. The "fuddy-duddy" Fed, they would argue, is in need of a good shake-up.

Dr Sprinkel is 57, short, bespectacled and hyperactive. He came into government with the Reagan team earlier this year after 28 years as a private banker and economist with the Harris Trust, Chicago's third largest bank. He has long been prominent on the international financial circuit, and is well known in the trade as an outspoken advocate of monetarist policies—that, indeed, is why President Reagan chose him for the job.

Particularly relevant to today's cut-and-thrust in Washington, he was also a member of the shadow open market committee, a monetarist pressure group that monitors the Fed's open market committee (the operational arm which sets short-term monetary policy). It is ironic that the turn of the political wheel has brought such a long-standing critic of the Fed into a post once held by Mr Paul Volcker, the Fed's current chairman, and more recently Mr Anthony Solomon, now president of the Federal Reserve Bank of New York.

A visit to Dr Sprinkel's office will trigger a rapid fire defence of monetarism delivered with all the energy of a high pressure salesman. A colleague likens it to the scherzo of a Bruckner symphony — what would normally be spread over 30 minutes is condensed into two. Dr Sprinkel refuses to have any truck with the off-the-record briefings to which the monetary Mafia is traditionally so attached. "I have not gone off the record since I arrived in Washington and I don't plan to," he says defiantly. "They can send me home if they don't like it."

Mr Beryl Sprinkel

Dr Sprinkel admits that monetarism is not the answer to every single economic problem. But he is adamant that a steady slowdown in the growth of the U.S. money supply is absolutely essential if the country's high interest and inflation rates are to be brought down.

By last November's presidential election, he says, the U.S. money supply was growing at the fastest six-monthly rate since World War Two. Dr Sprinkel insists that this is behind today's high American interest rates, which have caused such distress in Europe. They are not, he insists, the result of deliberately tight money policies imposed by the Reagan Administration.

"The root cause of high rates is the inflation and inflationary expectations which have been generated by many years of excessive monetary growth. High interest rates are a symptom of inflation and rapid money growth, not a cause," in his view. "The only way permanently to reduce interest rates is to control inflation and break the cycle of inflationary expectations. This can only be achieved by decelerating money growth."

Over at the Fed they agree that tight monetary policy is a *sine qua non* if inflation is to be brought down. But they do not believe that that is all there is to it. Fed officials say the Treasury is making monetary policy carry too much of the load. They would like more urgent attention to be paid to the budget deficit, perhaps by delaying tax cuts and defence spending increases. If that were done, President Reagan's budget cuts could be seen to be eating into the deficit and interest rates should come down.

Dr Sprinkel agrees that there are good reasons for reducing the deficit—it is adding to upward pressure on interest rates and taking credit away from the private use. But he does not agree with the Fed that the deficit is necessarily inflationary.

"It is not, unless accompanied by increases in money growth," he says. Tax priority over eliminating the deficit, in Dr Sprinkel's view, the most urgent requirement being to stimulate the private savings and investment needed for economic growth.

But the biggest and most publicised disagreement between the two venerable institutions erupted after Dr Sprinkel criticised the way the Fed ran its business. He is not happy with the Fed's techniques for controlling the money supply, and he has told it so. He thinks the Fed is using too many monetary aggregates, and the wrong ones at that, making insufficient use of the discount rate and failing to adopt modern computerised methods that would allow instantaneous matching of the banks' reserve requirements to deposit movements (simultaneous reserve accounting). In general, efforts to ensure short-term monetary targets are met.

The Fed argues this would lead to even wilder fluctuations in interest rates. "How do they know when they've never even tried it?" is Dr Sprinkel's riposte.

But the Fed's most fundamental objection is that its independence will be fatally compromised if it has to start taking orders from the Treasury. It is prepared to consider some of Dr Sprinkel's technical suggestions — indeed it is already doing so — but it believes that it should only adopt them if it concludes they are right, not because they are what the Administration wants.

Some of the heat has gone out of the argument after a knocking-heads-together session in President Reagan's office last month. The deal is reported to be that the Treasury will stop knocking the Fed if the Fed will stop knocking the Administration's economic policies. But Dr Sprinkel appears unrepentant. He still maintains that the Fed has what he calls a "credibility problem," and that it has yet to establish a "good record" for managing the money supply.

Ironically again, there has been speculation that Dr Sprinkel might find himself following in his predecessors' footsteps and transferring to the Fed when the present vice-chairman, Mr Frederick Schultz, leaves next year. Dr Sprinkel seems dismissive of such suggestions. "I have the best job in Washington," he says, "except, of course, my boss's."

Argentina pushes ahead towards civilian rule

BY HUGH O'SHAUGHNESSY IN BUENOS AIRES

ARGENTINA's ruling military junta is pushing ahead with plans for an eventual return to civilian rule, amid a growing crisis in the Argentine economy and mounting criticism of the Government's handling of the problem.

The junta is expected to present Gen Roberto Viola, the President, today with its ideas for legislation affecting political parties, which would mark the beginning of a return to civilian rule for the first time since 1976, when the military overthrew the government of President Maria Estela Martinez de Peron.

The parties would be allowed once again to operate, according to press reports, but under strict rules penalising Peronist and Marxist-Leninist groupings.

Gen. Viola held a second round of talks on the economic crisis yesterday with Dr Lorenzo Sigaut, his Economy Minister.

The two began discussions on Friday aimed at shoring up the battered Argentine peso, which was effectively devalued for the third time this year when the Government last week announced the creation of at two-tier exchange rate.

At the beginning of the year the peso stood at around 2,000 to the dollar and last Monday was quoted at a middle rate of 5,400. Yesterday the currency opened at 7,000 to the dollar, and the flight from the peso into dollars shows no sign of abating. Trading at bureaux de change yesterday was brisk.

The general belief is that Argentina's official reserves are now less than $1bn and that emergency international assistance will have to sought to shore up the balance of payments position.

Interest rates are high and continue to rise. Citicorp and the Bank of Boston are offering the annual equivalent of 261.13 per cent and 254.1 per cent respectively for seven-day peso deposits, with smaller Buenos Aires finance houses offering the annual equivalent of up to 365 per cent.

Machine-tool orders fall 47% in May

By David Lascelles in New York

THE VOLUME or orders for machine tools — an important indicator of the level of economic activity in the U.S. —showed a 47 per cent drop in May from the level in the month last year. Orders were also down 25 per cent from the level in April this year.

Orders for machines that shape metal parts were down 52 per cent from last year, and machines that form metal were down 19 per cent.

The high cost of borrowing and continuing uncertainties over the fate of the Reagan programme with its proposed investment tax incentives were the main reasons for the drop, according to the National Machine Tool Builders' Association, which compiles the statistics.

President sets out to woo the blacks

BY REGINALD DALE IN WASHINGTON

PRESIDENT Ronald Reagan yesterday set out to woo the nation's blacks with a promise of "black economic freedom" and a recommitment to equal rights before the annual meeting of the National Association for the Advancement of Coloured People in Denver, Colorado.

But the organisation's leader, Mr Benjamin Hooks, predicted he would receive no more than a ripple of polite applause.

Black groups are solidly and bitterly opposed to the President on two of the major controversial issues of the day—the extension of the 1965 Voting Rights Act, intended to guarantee black voting rights in the South, and the Administration's new economic programme, which the black groups believe will have the harshest impact on the country's poor.

The President was planning to say that a move towards "black economic freedom" would be promoted by his economic package, whereas past Federal programmes had failed to help blacks.

Mr Reagan sharply denied suggestions that his failure to endorse the Act in its present form could be seen as "a pay-off to Southern (Democratic) Congressmen," who helped pass his spending cuts Bill last week.

He was due to tell the NAACP that he would "not retreat on the nation's commitment to equal treatment of all citizens."

FTC post for chief de-regulator

By David Buchan in Washington

PRESIDENT Ronald Reagan has named one of his chief de-regulators, Mr James Miller, to chair the Federal Trade Commission, the regulatory agency which has had broad responsibilities in the areas of anti-trust and consumer protection.

Under Mr Miller, who now faces confirmation hearings before the Senate, the FTC is likely to find itself working within a narrower framework. Mr Miller has been executive director of the Presidential task force on regulatory relief, charged with easing the burden of red tape on the business community.

Engine switch costs GM $5.8m damages

CHICAGO — General Motors was yesterday ordered to pay $5.8m in damages in a Federal lawsuit for selling 1977-model Oldsmobiles with Chevrolet engines, although a big portion of the claims was dismissed.

After 11 weeks of hearings, a six-member jury awarded more than 10,000 "Chevmobile" buyers in 46 states $550 each in damages for purchases made from October 1976 to April 10, 1977.

In Detroit, an official said GM was "pleased by the jury's decision to dismiss the vast majority of claims." He said the company stood by its "proper and established practice" of using engines and other components on products built by different divisions.

AP-DJ

Boeing plan for MX alternative

BOEING IS offering the U.S. Government a more compact and possibly cheaper alternative to the MX missile system, which has stirred controversy because of its cost of more than $33bn (£16.5bn) and acute problems of how to deploy it, David Buchan writes from Washington.

According to a company document obtained by the Washington Post, Boeing's plan would involve a system of more than 3,000 missiles, compared with the 200 MX missiles planned by the Carter Administration.

The Boeing missiles would be capped with a single warhead, whereas the MX would have 10, and they would be half as long as the MX and only one-ninth as heavy.

The Boeing missiles could be put in fixed silos—perhaps those housing the Minutemen missiles. The plan by President Jimmy Carter's Administration, for running MX, around in the Utah and Nevada deserts provoked strong opposition.

Canada post strike

The Canadian Union of Postal Workers was due to strike from midnight last night, AP-DJ reports from Ottawa. The strike was ordered after a breakdown on Friday of negotiations between the federal Government and the union, which represents 23,000 postal handlers and clerks. The two sides were unable to agree on benefits demanded by the union including 17 weeks' paid maternity leave and four weeks' holiday after five years

Canada to open up 5m acres for oil search

OTTAWA—Canada will open up 5m acres off its East Coast to oil exploration in the first public offering for almost a decade. Strong interest is likely. The acreage, some of it in the Hibernia region off Newfoundland, will be made available in seven blocks. Information on the blocks will be published within about two weeks.

The Canadian subsidiaries of such major multinationals as Mobil, Gulf Oil, and Standard Oil of California are not expected to bid, although they have had success in the area.

In Ottowa, a Canadian official conceded that the multinationals "may feel that Canadian companies will have the upper hand" in the bidding.

Since October, Canada has pursued policies to reduce foreign ownership of petroleum operations to less than 50 per cent of the national total from more than 70 per cent.

Canadian programmes include plans for exploration grants based on the degree of Canadian ownership and other incentives for domestically-controlled companies.

A Government official said the acreage offerings were intended to open up an area where Canadian companies have had to deal with existing foreign permit-holders. "That's part of the whole exercise: to get Canadians into the area," he added.

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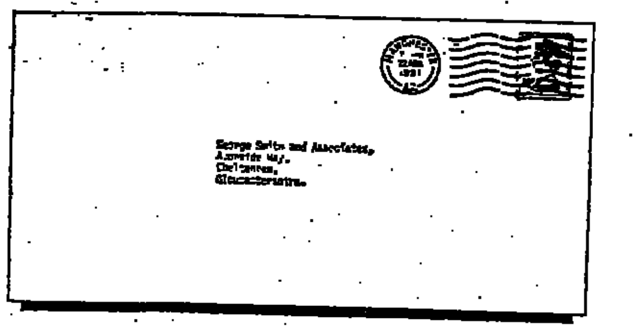

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Indonesia blocks KLM flights over its territory

BY CHARLES BATCHELOR IN AMSTERDAM

THE INDONESIAN Government has withdrawn permission for KLM-Royal Dutch Airlines to fly over its territory. The move is an attempt to gain extra flights for its own national airline to Amsterdam.

The Dutch civil aviation authority described the Indonesian move, which took effect on June 15, as "highly unusual and probably unprecedented in the international aviation world."

KLM, which flies four times a week to Australia, has rerouted some aircraft to avoid Indonesian air space. Another flight now ends in Singapore and passengers are transferred to other airlines. The Dutch company's four weekly flights to the Indonesian capital of Jakarta are not affected by the ban.

Indonesia wants to increase the number of flights available to its own airline, Garuda. KLM said the matter was being handled by the Dutch Government.

The Netherlands is also in dispute with Israel over flying rights. KLM has stopped one of its five weekly flights to Tel Aviv, under pressure from El Al, which wants to increase the frequency of its own service. El Al's poor financial condition and the growing competition between airlines lies behind these disputes, KLM said.

● Four Dutch companies announced the formation of Asia Port Consortium (APC) to assess the prospects for developing a deep-sea port on the Indonesian island of Pulau Batam.

The companies involved are the construction group, Ballast Nedam, two shipping lines, Nedlloyd and Phs. van Ommeren, and the industrial trading group, Thyssen-Bornemisza Europe. The consortium has already presented plans to the Indonesian Government for the development.

The harbour would be built on the east side of the island near Singapore and would be developed jointly with, rather than as a competitor of, Singapore, APC said. Co-ordinator of the project is Mr E. van Walsum, a former director of Nedlloyd, while Ballast Nedam is providing a secretariat.

Garuda gamble, Page 15

Consortium wins Saudi contracts

By Richard Cooper in Jakarta

A MAJOR Government-backed drive by Indonesian construction companies to win a share of the lucrative Middle East construction market is beginning to yield dividends.

In the past two months alone, a consortium of 18 Indonesian companies has won three contracts to construct projects in Saudi Arabia worth a total of $290m, and hopes to win four more contracts — two in Iraq and two in Saudi Arabia — worth around $650m in the next few months.

The three contracts won in Saudi Arabia so far this financial year are mainly for housing, buildings and infrastructure work connected with a military academy, a naval base and an airforce base.

The projects, all being built by the Saudi Government, will be paid for in cash and were won against stiff competition from South Korea, Phillipine, Japanese and Western construction companies.

Three years ago, in 1978/79, Indonesian construction companies won contracts worth a total of around $150m in the Middle East. By last year this had doubled to $300m, and the target for the current financial year, according to Indonesian Government officials, is $1.25bn.

Exports boom for film processor

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

WHEN Joseph de Semlyen was starting a new photographic processing business in north London in 1944, he was stuck *for a name. The telephone* came to his aid. The dialling code for Finchley, his local area, was Tudor, and shortly afterwards Tudor Photographic was born.

The group is still in north London, still a family company, but with a turnover of over £10m a year and a staff of nearly 600, selling not only film processing but photographic goods and expertise. The emblem is a rose.

Favoured son

Of that turnover, about 10 per cent comes from exports, and the figure is rising. "It's rather nice to be the most favoured son of the company, as opposed to the poor cousin," says Hugh Macpherson, the export director.

But the favoured son is still a young child. Four years ago, Mr Macpherson remembers, "exports started off as a drawer in my desk for marketing." In 1979 export turnover was £264,000. Last year it was £960,000 and this year, running smartly ahead of the budget, it will probably be £1.2m.

Exports though are not a casual addition to Tudor's activities. They interact with the company's home business. The staple of the business is film processing, but film processing is seasonal and erratic. It is not only a question of summer snapshots, but also of how the nation spends its *weekend leisure.*

"If we get a heatwave weekend, our laboratories are swinging for the next week," notes Mr. Macpherson. But there have been two bad springs—and two years of recession as well. The company has trimmed down and is now looking for business to keep the labs swinging seven days a week.

Exporters at Work

Part of the answer is processing films for customers throughout northern Europe. Last year, the company had bulk processing contracts in the Netherlands. This year, it is negotiating in West Germany. Mr. Michael de Semlyen, son of the founder and now chief executive, thinks "Tudor must be among the most competitive of firms to offer bulk processing throughout Europe."

But exporting can also help hold down the prices of the photographic goods Tudor is offering. When it goes into a new market it can offer a complete package: processing, films, cameras.

The goods it sells, it buys in with its own brand name marked on, often from the Far East. The bigger the purchases it can make, the harder it can negotiate with the manufacturers, and the cheaper it can turn the goods round in the retail market place. This is vital because the company is seeking high turnover and low margins to compete with the manufacturers' own named brands.

Courtship

Tudor is developing this package approach especially for the Third World. Its main markets abroad have become the Middle East and Nigeria, and its favourite approach is to enfranchise an agent. This is *rather like a courtship.* There is the first tentative friendship, ripening into "an engagement, which means a trial of six months, followed by marriage, which is a three years agreement," says Mr. Macpherson.

Once the liaison is secure, the agent uses the Tudor brand name, already registered in the country, while Tudor provides raw materials, its own branded products and a technical consultancy service to advise on processing and help with the marketing. For an Egyptian agent, it has recently re-equipped a factory.

There are two Tudor brand name laboratories under construction in Nigeria, a market which, as many British exporters know, is at once exciting and hazardous. "Unless any potential Nigerian client is blue chip, has got government connections and funds overseas, I would prefer not to deal with them," says the company's chief executive.

Although anxious to create a demand for Tudor products, Mr Macpherson is not prepared to enter into long credit arrangements. "We're not in the business of lending money." Most customers pay by letters of credit, and where payment terms are less rigorous they are covered by the Export Credits Guarantee Department.

This use of official facilities has been constant since Tudor started exporting. Its first major marketing exercise was at the *Photokina trade fair in Cologne,* at which it exhibited with the British Export Photographic Group, associated with the British Overseas Trade Board.

Tudor uses the BOTB's export intelligence service, and if it is looking at new markets, as it has been doing in South America and the Caribbean, it does not hesitate to ask British embassies to identify the photographic distribution outlets.

Syria-Iraq overland traffic hit

By Patrick Cockburn

OVERLAND traffic from Syria's Mediterranean ports to Iraq, which has expanded its import programme despite the war with Iran, has been disrupted by the introduction of a convoy system from the port *of Latakia to the Iraqi border.*

The reason for this is the discovery of a truck from Scandinavia filled with arms intended for Syrian dissidents, according to the Syrian authorities.

They say the truck was stopped near the city of Homs, just south of Hama where at least 150 people are reported to have been killed by the security forces in late April in retaliation for attacks against government officials and troops. Homs and Hama are both centres of anti-government feeling.

An important route for traffic to Iraq is through Syria despite the bad relations between the two countries. Many trucks cross *Europe to the* Greek port of Volos for the voyage to Latakia.

The increasing popularity of this route has led to a fall in traffic through Turkey with berths vacant at Iskenderum and the port of Mersin which is used by many container vessels.

Overland traffic to Iran is now flowing freely. The biggest hold-up is at the customs in Tehran

Steam coal price may double by end of decade

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE INTERNATIONAL price of steam coal could more than double in real terms by 1990 and the volume of world trade in the fuel rise by more than 300 per cent, according to a new study by London stockbrokers Sheppards and Chase.

The report estimates there will be an average increse in non-communist trade in steam coal—used in power stations and by industry—of some 20m tonnes a year during this decade, rising from 79m tonnes in 1980 to 266m tonnes in 1990.

More than 90 per cent of this increase will be provided by *four exporters:* the U.S. 32 per cent), South Africa (23 per cent), Australia (21 per cent), and Canada (16 per cent).

With a maximum potential demand of 284m tonnes by 1990, world supply and demand should remain broadly in balance, the report says.

Prices will be set by the precise supply-demand balance but vary within a ceiling related to the price of fuel oil—steam coal's main rival—and a base related to the cost of new mines and transport.

The study estimates that by 1990 steam coal prices could vary between $118 and $180 a tonne (at 1980 prices) compared to the current price of $73 a tonne CIF Europe for U.S. steam coal.

"The major constraint on increasing exports is the lack of willingness on the part of importers to enter into long term contracts on which infrastructure developments depend," it says.

"This is because suppliers are currently trying to force importers *to conceede large* increases in the price of steam coal."

The brokers say that by 1990 the U.S. will have the potential to export 84m tonnes of steam coal (compared with 24m tonnes *last year*), *South Africa* 70m tonnes (26m), Australia 49m tonnes (9m), Canada 31m tonnes (1m), the Soviet Union 13m tonnes (3m) and Poland 8m tonnes (13m).

Malt whisky exports up

BY Gareth Griffiths

MALT WHISKY exports are likely to grow at an annual rate of between 8 per cent and 10 per cent over the next five years, with the growth concentrated in North America and Western Europe.

This is the conclusion of a symposium of Scottish malt whisky exporters on the industry's future, published in this month's edition of the magazine, Drinks International. The report suggests that export will increase at a much faster rate than blended whisky exports, which are expected to have a fairly tough time over the next five years.

Members of the symposium included export directors from William Grant and Sons, J. and G. Grant, John Walker, *Macdonald and Muir,* Macallan Glenlivet and Glenlivet Distillers.

Mr Neil McKerrow, Macdonald and Muir's export director, said that malt whisky exports now moved at a rate unrelated to blended whisky sales. More private and independent companies were developing their single malts for export.

Mr David Grant, marketing director for William Grant and Sons, told the symposium that the Japanese whisky producers, particularly Suntory, presented the Scotch whisky trade in Japan with a very serious threat.

IFC loan for Indian engine plant

WASHINGTON — The International Finance Corporation, a World Bank affiliate, will join other investors in financing a $133m (£67.9m) diesel engine manufacturing venture in India.

The IFC is providing a $15m loan.

Mahindra and Mahindra (M and M), a major Indian producer of tractors, light commercial vehicles and Jeeps, will expand an existing plant and build a new factory at Igatpuri in Maharashtra state to produce a new fuel-efficient diesel engine under licence from Automobiles Peugeot of France.

The new plant will have a capacity to produce 25,000 engines by 1984. The expansion of existing facilities will increase annual output of engines for light commercial vehicles from 3,000 to 10,000 a year, and production of tractors to 15,000 a year. Present tractor output is about 10,000 a year.

Other financing for the project includes loans from the Industrial Credit Investment Corporation of India, the State Industrial Development Corporation of Maharashtra, Britain's Export Credits Guarantee Department and internal cash resources of the Indian Manufacturing company. The British loan will be about $5.7m.

AP-DJ

Pretoria claims rise in trade with Mexico

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICA'S exports to Mexico have risen sharply in the past few years despite an official Mexican boycott on trade *with Pretoria, according to the* South African Foreign Trade Organisation (SAFTO).

South African trade figures show that exports rose from less than R2m in 1977 to a peak of R14m in *1979. Lower sales* of metal products brought the figure down to an estimated R10m last year.

Products exported to Mexico include asbestos, wattle bark, steel, wool, machinery, chemicals and maize.

South Africa's national shipping line, Safmarine, has a regular service to Mexican ports. *Sailing frequencies may be* increased "if present trends continue," a Safmarine spokesman said.

Rumours have surfaced regularly in the past few years that Mexico supplies oil to South Africa. However, the Pretoria Government keeps the sources of its oil supplies a closely guarded secret, and these reports have never been officially confirmed.

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Romance among the pit shafts as Scotland's grand old Lady takes her place in history

BY MARK MEREDITH IN EDINBURGH

A SMALL pilgrimage of Scottish miners recently paid its last respects to "The Lady." Many of the pilgrims were young miners from other pits who wanted to see The Lady Victoria Mine in her last days.

On Thursday the cages will *be brought up the shaft for the* last time and the mine at Newtongrange, just south east of Edinburgh, will be sealed off. Nearly 90 years of production and 25m tons of coal later, the mine is spent.

More than 2,000 miners *worked Lady Victoria in the* 1950s, when production was at its height. Only a handful remain to salvage what equipment can be brought to the surface economically. Tons of workings will be left behind when the shaft is filled.

Steel plates have been riveted to beams all around the base of the pit one third of a mile down. Tons of rubble will be poured in and the plates will prevent the fill from dissipating into the shafts. The seal will stop methane gas leaking upward.

Nearer the top, a cement plug will be poured to fill the first 30 or 40 feet of the shaft near the top. Then the mine will be dead.

A blend of sadness and curiosity brought the younger miners to The Lady. They all *work at modern pits with higher* levels of technology and vastly greater output than The Lady Victoria's 7,000 tons a week.

They wanted to go down and look at machinery and workings of previous generations; to rub the dust from engine markings or tread along the old, boggy tracks where coal cars once were drawn by pit pony. The Lady was modernised as time went on but she remained an older mine with machinery one generation behind.

One of The Lady Victoria miners told the young visitors about the high sulphur content of one seam which, when mixed with water, burned the tacks of the men's boots.

This was a union pilgrimage and one reason the closure is *not such a sad affair* is that all the miners have been found jobs on other mines.

Mr Tommy Laing, the National Union of Miners delegate at Lady Victoria, handled the difficult negotiations with the National Coal Board.

In his office with the miner's union banner festooned on the wall, Mr Laing recalled the talks at the local community centre in Newtongrange last year.

The Coal Board originally offered 220 jobs at a nearby mine, but this would have left another 360 men without any job to go to. He refused and the tactic paid off. Next, the board offered the 220 jobs plus priority for any job vacancies at nearby pits. Early retirement plans meant all the men were assured to work. The deal was done and today only about 25 men remain.

Nearly all of the miners lived in Newtongrange mining village —one of the few left in this country. The village was built by the Lothian Coal Company for the workers, now all 1,000 homes are owned by the Coal Board.

But the closure of Lady Victoria will not mean the death of the village: newer mines at Bilston Glen and Monktonhall are close by and many of the miners will be moving there.

The Lady Victoria could have a future as an industrial museum: the mine boasts the only steam-generated winding engine left in Scotland.

The machine is a magnificent industrial dinosaur, with its cladding painted green with red trim and decorated with the red and *yellow Scottish* flag. Two vast steel piston arms turn the cable drum to lower the cages up and down the pit.

The gearing mechanism could bring up a cage full of coal tubs at 50 feet a second or a crew of miners at an only *slightly-more-comfortable* 30 feet a second.

But all that will be history tomorrow, when the fires in the boiler room will be allowed to go out. The pressure will drop and the winding works will turn into a potential small museum.

Midland to fund private hospitals

BY ROBIN PAULEY

THE MIDLAND Bank has taken *a share in a private health care* development company and will provide long-term loans enabling about 50 private hospitals to be built at a cost of more than £100m by the end of the decade.

Midland Bank Industrial Finance Company (MBIF), a subsidiary of the Midland Bank, has subscribed £325,000 of share capital in convertible, redeemable preference shares in Seltahart Holdings of Winchester.

The bank has also agreed to long-term loans to finance 40 per cent of the costs of new hospital development. Mr David Hutchings, an MBIF director, *has joined the Seltahart board.*

Seltahart Holdings operates in the private medicine field through three companies. Seltahart Clinics is the hospital management company, Marlborough Services provides hospital design and maintenance services, and Seltahart Healthcare Systems is developing and operating computerised patient administration and accounting systems.

Seltahart has one private hospital already in operation in Farnham, Surrey. Another four will be open by the middle of next year at Brentwood, Southend, Solihull and Blackpool, *bringing the group's total* investment to more than £12m.

The company is planning to develop its private hospitals on the basis of small community based clinics with 30-50 beds. They will cost about £2m each.

The total cost analysis of about £40,000 per single room plus £10,000 per room for equipment is considerably less than that of many other hospital development groups. The reason is that Seltahart is aiming for a market which can afford all of its facilities through the standard rate private medical insurance premium of the British United *Provident Association.*

Seltahart is a British family controlled private company with no immediate plans to go public. Its concept is that private hospitals must have the financial participation of the consultants who use them and they must also be involved in the development and management of the hospitals.

The company was founded in 1975 with a staff of three. It has a total group payroll of 80. A new headquarters is proposed in Winchester where total staffing is expected to reach 600 by the end of 1983.

Holiday spending up despite the recession

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE EARLY effects of the recession on consumer spending patterns are *revealed* in new Government figures on household expenditure.

The figures relate to the third quarter of 1980, several months after the recession first began to bite deeply in spring last year.

The most surprising trend was the buoyancy of consumer spending in such areas as holidays abroad and consumer durables.

Spending on services rose by a third in comparison with the same quarter the previous year. In real terms, after allowing for the higher rate of price inflation, the increase was slightly more than 10 per cent.

According to the Department of Employment, which publishes the figures in its latest Employment Gazette, the increase was "due to several factors, notably an increase in expenditure on holidays abroad."

Spending on consumer durables, such as colour televisions *and freezers, increased by 16* per cent over the year. Since price inflation in this sector was below 10 per cent, the increase implies extra spending of about 6.5 per cent in real terms.

This buoyancy in two "luxury" areas at a time of deepening recession can probably be explained by redundant workers spending their redundancy payments rather than saving the money.

A similar phenomenon has also been reported by a number of retailers and is probably still continuing. Sales of video tape recorders, for example, are reported to be substantially higher than last year.

Although household spending on food continued to increase at a slower rate than expenditure generally the lower rate of food price inflation meant an increase in real terms of about 1 per cent.

Spending on alcohol and *tobacco rose by 19 per cent and* 16 per cent respectively over the year. However, the higher inflation rates in these two areas meant there was no increase in real terms for alcohol and only about 1 per cent for tobacco.

The sharp increase in prices *between 1979 and 1980 for all* forms of energy, especially oil, gas and electricity, led to a fall in spending in real terms of about 9 per cent on fuel, light and power.

In total, the figures show that household spending in the third quarter of 1980 showed almost no change from the previous year and was only marginally higher than in the second quarter of 1980.

Meanwhile, a gloomier forecast of consumer spending comes from the Henley Centre for Forecasting. The centre says the 2 per cent growth in the first quarter of 1981 will fall by 3.3 per cent during the *rest of this year.*

However, the centre believes there are still growth markets for manufacturers to exploit. "Those prepared to pioneer will increasingly become the strongest manufacturers of the 1980s," it says.

Obvious sectors for development, it maintains, include speciality foods, but it points out that manufacturers in the past have been slow to move into new markets.

The evolution towards a demand for health services and products had been signalled for years. So why did something so obvious as natural fruit juice—massive for many years in the U.S.—take so long to be developed?

In the past year, the fruit juice market in the UK has grown by about 60 per cent to a market value of about £170m *at retail prices.*

Court aids innocent third parties in seaport cases

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

REPRESENTATIONS by the *clearing banks* and the British Ports Association have resulted in the Commercial Court taking steps to avoid damage to innocent third parties when the court grants Mareva injunctions.

A Mareva injunction, which takes its name from the case in which it was first granted, restrains a party to a dispute from disposing of or dealing with its assets within the jurisdiction of the UK courts, or removing them from that jurisdiction, and so frustrating any judgment which may be made against it.

It is relatively new but widely used, notably in the Commercial Court, where a high *proportion of parties are foreign companies.*

Announcing the court's new approach to the order, Mr Justice Robert Goff said yesterday that the court was anxious to provide a service sensitive to the needs of the commercial community.

It was particularly anxious that the Mareva jurisdiction should be implemented in a manner which took account of the interests of innocent third parties.

To that end the court had imposed certain conditions on Clipper Maritime Company, of Monrovia, when granting it a *Mareva injunction against Mineralimportexport, of Romania.*

Mineralimportexport's UK assets included cargo and bunker on a vessel likely to load at the port of Barry, South Wales.

There has been a danger, drawn to the court's attention by the British Ports Association, that the injunction might affect the movements of the ship within the port, and adversely affect the port authority, which had no interest in the dispute.

The court had therefore required Clipper Maritime to undertake to pay the port authority any income lost through the vessel's being docked at a heavily-used and high income-producing berth, and any *administrative costs incurred by* the port authority as a result of the injunction.

The judge said that the court would in future impose similar terms when a Mareva injunction was granted which might affect a ship in port.

He said that in another recent case a comparable undertaking had been required of the party seeking an injunction, as a result of representations by the clearing banks.

The judge invited any other bodies whose members might be similarly affected to contact the Commercial Court Committee so that steps could be taken to protect their interests.

Companies urged to cash in on airports

By Michael Donne, Aerospace Correspondent

THE British Airports Authority expects to spend well over £100m a year in the next decade on developing its airport. It is anxious that British companies are given a significant slice of this business.

Three major ventures will be involved—the fourth terminal at Heathrow, a second terminal at Gatwick, subject to public planning inquiries and the development of Stanstead. Other airports will be improved steadily.

Mr John Mulkern, managing director of the BAA says: "It is our intention to purchase from and to encourage British industry wherever possible. But for the BAA to achieve its objectives, these goods and materials must be competitively-priced, produced on time and be of the highest quality."

The BAA is circulating to industry a document, British Products for British Airports, with particular emphasis on the construction, electrical and mechanical engineering industries, setting out the products needed.

These range from cement and steel to furniture and carpets. Included in the shopping list are rapid-transit systems, loading bridges, passenger and baggage conveyors, lifts, baggage reclaim units, telephone exchanges, flight information systems and airfield lighting and other equipment.

Mr Mulkern says British industry traditionally has been able to meet the BAA's tough criteria, but "increasingly active *competition in certain* areas, especially from the EEC countries, represents a challenge to be met and overcome."

The BAA estimates the cost of Terminal Four at Heathrow at about £215m, the proposed Terminal Two at Gatwick at £190m, and the cost of Stanstead, if approved, at £350m.

Meanwhile, a battle between Laker Airways and Dan-Air for rights to fly scheduled services between Gatwick Airport (London) and West Berlin opens today before the Civil Aviation Authority in London.

The two independent airlines are seeking rights on this lucrative route—in competition with British Airways, which flies from Heathrow to West Berlin, on both a non-stop daily basis and also via cities in West Germany.

Lake already has an extensive charter operation from Berlin to Mediterranean holiday destinations.

Inquiry urged into secret gas contracts

BY MARTIN DICKSON, ENERGY CORRESPONDENT

BUSINESS leaders have attacked the British Gas Corporation for negotiating gas supply contracts in secret with individual industrial and commercial customers.

The Association of British Chambers of Commerce *says* this is a restrictive practice which should be outlawed. It has written to Mr Gordon Borrie, director general of the Office of Fair Trading, asking for an official investigation.

It argues that it would be in the national interest if British Gas published instead a *simple* tariff, in pence per therm, related to volume, for all consumers. This would be fairer and cheaper to administer than the present system, it says.

Mr Tony Newsome, the association's director general, says in the letter to Mr Borrie that gas is supplied to all industrial and commercial companies using more than 25,000 therms a year under individually negotiated one-year contracts. Details of the contracts are known only to the Gas Board and the customer.

Mr Newsome complains that because of this "veil of secrecy," companies have no idea whether they are negotiating good or bad terms. Comparisons had shown that companies which thought they had negotiated good terms found subsequently that they were paying more than companies of similar size and capacity, thus distorting their competitive position.

Mr Newsome also complains: "Negotiation periods are often short and prices have been increased on occasion at one month's notice and less. This system creates severe budgeting and pricing problems for many companies."

He also questions the fairness of the present arrangement *whereby one-year*, fixed-price contracts for the supply of gas to large industrial users start at different dates. "Whenever gas prices go up, some companies will have a considerable advantage over direct competitors for up to 11 months, due entirely to the luck of a *contract date.*"

Changes in gas prices should become effective on the same date for all industrial users, the letter says. "We see no good reason why the British Gas Corporation should not adopt a system similar to that now used for electricity supplies."

In reply, British Gas said yesterday that a substantial number of its customers favour individual contracts. A fixed price system could mean worse terms for some industrialists.

Judge asked to strike out St Piran petition

BY OUR LAW COURTS CORRESPONDENT

ST PIRAN, the tin mining and property development company, yesterday asked the High Court to strike out a petition by one of its shareholders to wind it up.

Mr Charles Aldous, for St Piran, told Mr Justice Dillon that the petition — presented by Runic Nominees — was embarrassing, oppressive and an abuse of the process of the court.

Runic owns 70,000 of the 11m issued 25p ordinary shares in St Piran. Its petition, due to be heard on July 23, is opposed by Gasco Investments (Netherlands), holder of about 10m St Piran shares.

Mr Aldous said the petition alleged that since Mr. Jim Raper gained control of St Piran, the company had been conducted in a manner which was unfair and prejudicial to Runic's interests, and that it was just and equitable that the company should be wound up.

The petition did not detail Runic's grounds for seeking winding-up in a way that enable St Piran to marshal its defence, said Mr Aldous.

It relied on a report by inspectors appointed by the Secretary for Trade. The minister had decided that it would not be in the public interest for him to present a petition on the basis of that report.

There was, therefore, the situation of a shareholder seeking to rely on a Trade Department report on which the minister had decided to take no action, Mr. Aldous went on.

The hearing continues

Work-in rally

ABOUT 500 people attended a rally in Glasgow yesterday to mark the tenth anniversary of the Upper Clyde Shipbuilders work-in. Labour Leader Michael Foot and Mr. Anthony Wedgwood Benn sent apologies for being unable to attend.

Plant opens to make protein from bone

THE WORLD's first plant producing edible protein from bone for use in products ranging from baby foods to sausages to shampoo was opened in Bedfordshire yesterday.

Britain produces enough waste bone from abattoirs each year to make protein worth £80m.

Lensfield Products, a subsidiary of FMC, Europe's largest meat company, which owns the Flitwick plant, plans to sell its products and know-how abroad. The Chinese have visited the factory twice.

Mr George Cattell, group managing director of FMC, a company owned by farmers, said about 200,000 more *tonnes of bone* could be processed each year to provide additional protein. The bone costs about £35 a tonne and the processed protein could be sold for up to £2,000 a tonne.

Phosphates, another by-product of the process, are already being used in cakes, icing sugar, flours, custards and powder for fruit drinks.

Futures exchange plan attracts 300

OVER 300 banks, individuals and assorted *financial* institutions have applied to join London's planned financial futures exchange.

The applicants will have to wait for the results of a ballot to determine the allocation of an initial 200 membership places at the price of £20,000 each.

Directors attack Revenue papers

THE Institute of Directors attacked two consultative papers recently published by *the Inland Revenue.* The institute says the paper on Company Residence is "unnecessary and on balance harmful."

The paper on Tax Havens and the Corporate Sector, is said to be "wrong in principle." Both papers are castigated as "lightweight."

Paint industry's profits decline

BRITAIN'S paint industry has declined in profitability, following an 8.5 per cent drop in sales in the past year, according to the Paintmakers' Association's latest annual statistical review.

The review, based on a survey of the association's leading member companies, shows that volume paint sales to the general industrial market fell by 18 per cent.

SNP plea over Bank of Scotland

THE SCOTTISH National Party yesterday urged the Monopolies and Merger Commission to reject takeover bids for the Royal Bank of Scotland. In a submission to the commission, the party said a rejection would give assurances to banking in Scotland and strengthen the Royal Bank.

It said the commission's decision had "enormous implications" for Scotland. "The potential takeover is something that extracted negative opinion from all segments of Scottish society with virtually no overt support."

Shipbuilders refused leave to appeal

THE TYNESIDE shipbuilder Swan Hunter was yesterday refused leave by the Court of Appeal to challenge its conviction at York Crown Court on November 27, 1979, on three charges under the 1974 Health and Safety at Work Act.

This followed the death of eight shipyard workers in a fire on board the 3,600-ton HMS Glasgow under construction at Wallsend in September, 1976.

Chesterfield aids small companies

CHESTERFIELD BOROUGH Council is today launching a £100,000 aid programme to help small companies establish themselves in the town.

The borough, which has a 13.6 per cent unemployment rate, recently lost intermediate area status. A small-firms forum will be held in the assembly rooms to give financial and practical advice to small companies.

Monopolies panel approves Lonrho's Observer takeover—with conditions

BY JOHN MOORE

SEVEN MEMBERS of an eight-strong Monopolies and Mergers Commission panel have concluded that the transfer of ownership of The Observer to George Outram, part of the Lonrho group, will not operate against the public interest.

But their conclusion adds that the change of ownership of Britain's oldest Sunday paper should be subject to conditions designed to protect editorial independence.

The 90-page report, published yesterday, includes a note of dissent by Dr R. L. Marshall, a member of the commission's panel.

Dr Marshall said that he concludes that the transfer may be expected to operate against the public interest and should not be allowed to proceed.

But Mr John Biffen, Trade *Secretary*, has accepted the majority view of the commission and decided to consent to the transfer subject to conditions he will impose in the next few days.

Lonrho emphasised to the commission that it would not make any attempt to interfere with the editorial independence of The Observer or influence the presentation of news.

The panel's report mentions that Mr Roland "Tiny" Rowland, Lonrho's controversial chief executive, said that if he had to make a choice between bridling The Observer and risking other interests of Lonrho, he would not choose to impose limits on The Observer "whatever the cost."

The report says that Mr Rowland has said the time may be drawing near when he will contemplate retiring from the position of chief executive of Lonrho.

It says: "There is no doubt that there are men of ability in the management of Lonrho and its subsidiary companies but we have the clear impres-

"Whatever assurances are offered now we do not know what direction the interests of the group may take, nor how its commitment to newspapers may be affected, when Mr Rowland's influence is removed."

As part of its assurances to preserve editorial independence, Lonrho has said that it has obtained the consent of the following people who are prepared to act as independent directors on the board of The Observer Limited if invited.

They are: Lord Chalfont, Sir John Clark, Lord Cledwyn, Sir Geoffrey Cox, Sir David Hunt, Sir Alexander Johnston, Mr Hugh Stephenson, and Dame Rosemary Murray.

Another person with business experience at a senior level has also agreed to be appointed but does not wish to be named at *this stage.*

The commission's concern over editorial independence came after suggestions were made that The Observer, as part of the Lonrho group, would be under pressure to include some items of news concerning Lonrho's business and to exclude others, and would also be subject at least to influence in the formation and expression of opinions affecting Lonrho.

This suggestion related particularly to Africa. The commission said it was suggested that the reporting of any news or comment unwelcome to the national authorities of certain African countries would result *in Lonrho being forced to choose* between controlling what appeared in The Observer and risking retaliation against its assets and interests in those countries.

The report says: "It was suggested that Mr Rowland's very direct and personal methods of controlling Lonrho business made it inevitable that he would himself exert pressure upon the editor and other journalists to put things into the paper or to keep things out."

But after hearing evidence of various incidents in connection with Lonrho's ownership of African newspapers the commission has said: "We do not think *the evidence about particular* incidents is clear enough to justify any finding that on those occasions anyone acting on behalf of Lonrho tried to exert any pressure or to interfere with the editors or the editorial staff . . . the evidence rather suggests that as a newspaper proprietor Lonrho respected editorial independence in times of some difficulty and turmoil."

Dr R. L. Marshall, the dissenting member of the panel, said that the dangers to the present characteristics of The Observer "are generated not only by the management style of Lonrho but by interests which are basic to Lonrho's diverse operations, *often in particularly volatile* areas of the globe . . . their influence on The Observer would be exercised particularly through the continuing relationship between the editor and the chief officer of Lonrho at any time or agents acting for him."

Dr Marshall says: "I am not convinced of an adequate counterbalance from other contrary interests in Lonrho."

He says that the safeguards for the public interest depend "critically on the role of the independent directors." He adds: "I do not believe that the dangers I perceive lend themselves to institutional remedies and procedures of the kind envisaged."

The commission's report reveals *that Lonrho is buying The* Observer from Atlantic Richfield, the U.S. energy group, with a view to doing future business deals with Atlantic Richfield.

"Lonrho had been interested in acquiring The Observer for some time and he (Mr. Rowland) *believed that a partnership with* Atlantic Richfield in relation to the newspaper would help Lonrho to develop its interests in other parts of the world, including Mexico and Africa. He also believed that Lonrho might be able to assist Atlantic Richfield in certain parts of Africa."

The commission's report shows that The Observer Limited and its subsidiaries for the years 1977 to 1979 and the draft accounts for 1980 show that the total loss attributable to the parent company over the four year period is likely to be well over £8m.

Although a profit of £60,000 had been budgeted in 1980, the loss for the year was nearly £5m.

The report says that although The Observer's financial situation is unsatisfactory, the Commission received no evidence to suggest that its immediate future is in jeopardy.

Mr Robert Anderson, chairman of Atlantic Richfield, told the commission that if the proposed transfer was not permitted his company would not close the paper.

"As to the reliability of Lonrho's assurances we need only say," concludes the report, "that the vigilance of these independent directors should ensure that the assurances are observed."

A controversial adventurer moves into Fleet Street

MR ROLAND "Tiny" Rowland, the man taking control of The Observer, Britain's oldest Sunday newspaper, is, at 64, one of the most controversial Press barons ever to *emerge on Fleet Street*, writes John Moore.

For more than 20 years Mr Rowland has dominated the affairs of Lonrho, the international trading conglomerate into which the newspaper is to be absorbed.

Mr Rowland is Lonrho's *£225,000-a-year chief executive*. Lonrho in its present form is very much his creation. A *Monopolies and Mergers Commission report* prepared more than two years ago into the group's acquisition of Scottish and Universal Investments, a deal which gave Lonrho control of the Glasgow Herald, confirmed this view.

Mr Rowland is an old *fashioned merchant adventurer* with what a Department of Trade report five years ago called "vision, negotiating *ability, determination and* personality in unusual measure coupled with unbounded energy to apply his talents."

The same report concluded: "We believe that Mr Rowland has a great deal to offer Lonrho and the group and its *shareholders but his achieve*ments will be all the greater if he will allow his enthusiasms to operate within *the ordinary processes of* company management."

The Department's report had been prompted by a boardroom battle within Lonrho between Mr Rowland and eight of his directors and subsequent court action.

The Department investigated allegations that Mr Rowland had entered into important transactions without the approval of the board, had misled the board, and that some transactions had been for the benefit of directors.

In 1961 Lonrho entered into an agreement with Mr Rowland, then a director of Rio Tinto companies in Central Africa, under which Mr Rowland became Lonrho's joint managing director.

In 1980, Lonrho, in which Mr Rowland is the largest shareholder with about 17 per *cent of the equity, reported* pre-tax profits of £119.1m.

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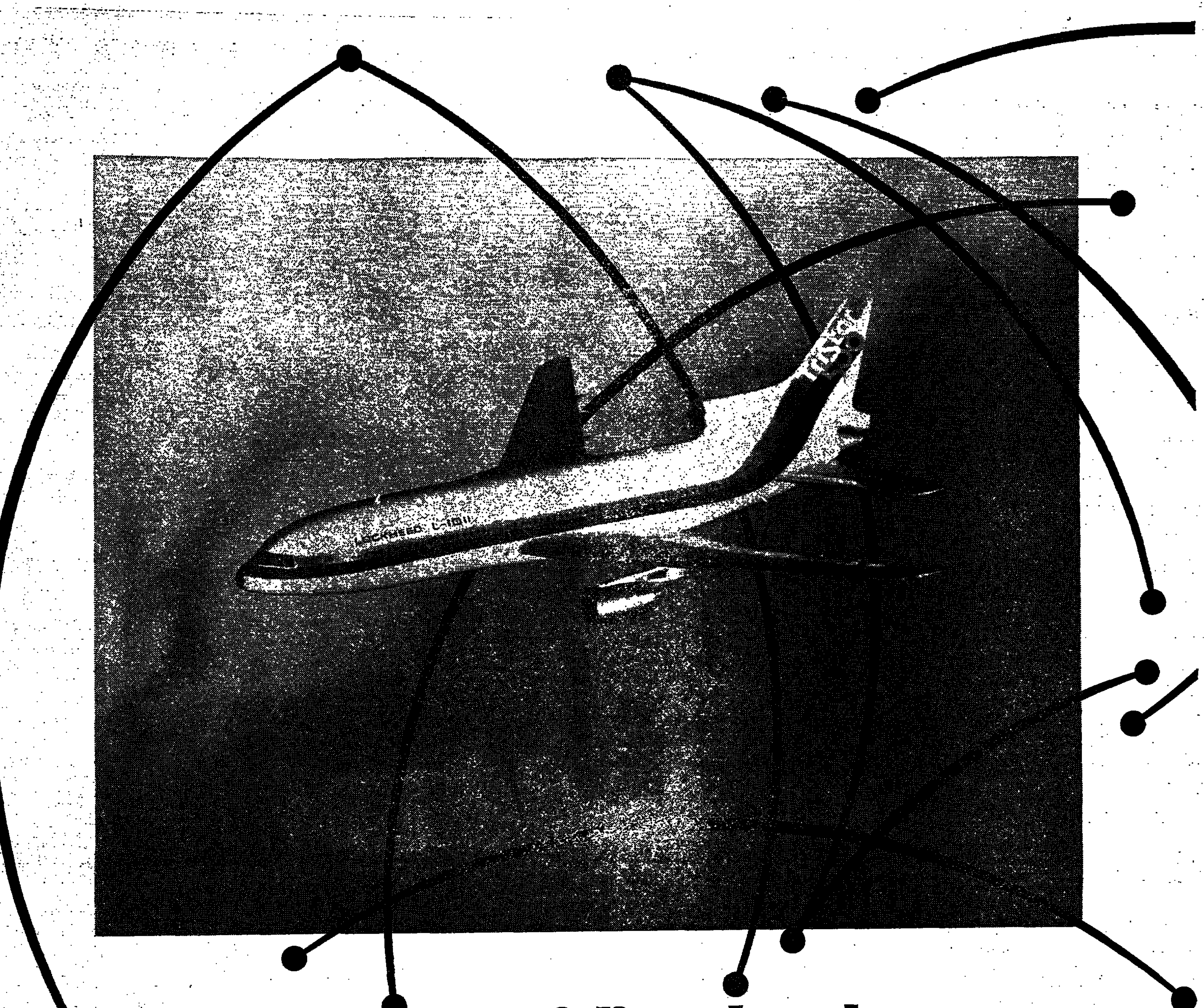
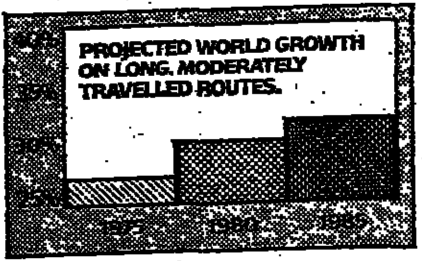


How does an airline develop a new, long-range airline route? Cautiously. And with the right jetliner.

The trend of the future is toward 'open skies.' Airlines will have greater freedom to introduce new routes throughout the world. And because more of the world is opening up to expanded air travel, a greater number of these new airline routes are long-range.



Long, narrow routes (those spanning more than 3,000 miles while serving moderate numbers of passengers) are an example of a major area for airline growth. In 1975, these routes accounted for about 25% of total air route mileage. By 1982, the number will have reached approximately 32%.

How can an airline capitalise on this growth trend? By owning and operating jetliners that will turn the best profits on long, moderately travelled routes.

Such jetliners must be big enough and sufficiently equipped to fly worldwide routes. For instance, planes must have at least three engines to be certificated for passenger flights over long stretches of ocean.

Most important, they must operate with a combination of plane mile and seat mile costs low enough to deliver maximum profit. Accordingly, the giant four-engine wide body aircraft with their high acquisition and operating costs, are not most profitable in carrying moderate passenger loads.

The aircraft that is? The Lockheed L-1011-500 TriStar.

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Ideally suited to fly the long, narrow routes, Lockheed's L-1011-500 is a masterpiece of economy. It doesn't just provide great comfort for passengers; it also gives great comfort to airline decision-makers. Because the L-1011-500 is the wide body jetliner that can deliver the best profits over those moderately travelled routes.

One of the world's premier airlines determined that the L-1011 operates at plane mile costs from 8 to 10% less than those of its nearest competitor—and far less than other wide body competition. Why? One reason is that the L-1011, though a wide body aircraft, is shorter and lighter than the others. Another reason is the L-1011's advanced technology.

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Unique design and construction give the L-1011 an extra-*ordinary ability to adapt the latest technological advances into its* existing airframe. So this jetliner can uniquely add new technology as it is developed.

A prime example is a new digital autopilot, now in service on L-1011-500s at present flown by several major airlines. This Lockheed autopilot is a technological breakthrough. It has no moving parts, and is *lighter, smaller, and 150% more reliable than similar* systems on competitive aircraft.

Then there's the lengthened wingspan: nine feet added to the original structure, due to the development of an exclusive system of computer-driven Active Controls. The added wing-span reduces drag, cutting the amount of fuel consumed in flight.

The L-1011-500 also has the most advanced Flight Management System. This exclusive system selects the best speed and power levels, then automatically controls the throttles in flight for the most economical use of fuel.

Other technological innovations are in development now at Lockheed, ensuring that the L-1011 aircraft will remain the most advanced big jetliners far into the future.

The plane of the future.

The increasing trend toward 'open skies' and the spread of business centres all over the world present a great growth potential for airlines seeking to develop new, long-range air routes.

Because many of these developing routes will carry moderate passenger loads, the best plane for the job—the most profitable one—is the one that offers an unbeatable combination of low plane mile and low seat mile costs.

The aircraft that does this, the plane of the future, is the L-1011-500.

The L-1011-500 offers airlines greater flexibility and profitability over the other long-range jetliners.

It's the competitive advantage. The right jetliner at the right time. Take a good look at the Lockheed L-1011-500 TriStar.

Lockheed L-1011 TriStar

Change in quality and distribution

BY MICHAEL DIXON

"YOU COULDN'T rightly call it a chance to get in on the ground floor," said headhunter Christopher Ley-Wilson with the expectant air of an old-style comic.

Sighing inwardly, the Jobs Column took the cue. "*Why* couldn't we rightly call it a chance to get in on the ground floor?" I inquired.

"Because they haven't finished excavating the basement yet. All there is so far *is a great big crater*," he replied.

According to music-hall tradition, I should have responded: "I don't wish to know that. Kindly leave the telephone." But I didn't. Instead I hurriedly consulted the Handbook of Clichés for Recruiters and then suggested: "Why not call it an opening for someone with in-depth knowledge and piles of drive to start from scratch?"

He groaned, but still conceded that my suggestion was not entirely inapposite to the job on offer. For it was the post of "quality assurance" manager of an electronic-components plant just being built within an hour's journey of Edinburgh by the UK subsidiary of an American-owned multinational group.

Readers who also grew up in the old days of music halls and "quality control" may not be aware of the modern concept of quality assurance. I didn't catch up with the times until recently, and at first entertained a suspicion about the new concept. This was that it probably resembled life assurance in being intended not so much to assure the buyers of quality as to help them to come to terms with the inevitable loss of it. But I have been firmly assured that this is not the case.

The management of quality assurance is supposed to begin before the product in question is even developed. Hence the wish of Mr Ley-Wilson's client to fill the job before completion of the new plant which will increase by 50 per cent the company's production of its high-technology components for European markets.

With about 30 people in support and reporting to the UK company's managing director, the newcomer will "start from scratch": by consulting potential customers about the quality they require to be designed into the components. The manager will then be responsible for seeing that the agreed quality is matched by the manufactured products, not least by checking continually that the purchasers are satisfied.

So candidates will need the "drive" to lead a fairly large group of subordinates and "in-depth knowledge" of the development and manufacture of high-technology widgets, preferably, but not necessarily, microprocessors. About eight years of industrial experience, with at least three of them as a manager concerned with the quality of production, are specified. Those with a degree or equivalent in electronics engineering, physics or chemistry would have an advantage. So would those whose previous work has kept them in touch with the wants of large purchasers throughout Europe.

The salary bracket is £14,000 to £18,000. The other benefits include a car, and after a year the recruit will become eligible to join in the company's executive bonus scheme.

Inquiries to Christopher Ley-Wilson at Philip Egerton and Associates, 178-179 Piccadilly, London W1V 9DB: telephone 01-499 2215, telex 28146 Reg G. Since he may not identify the employing company he promises to abide by any applicant's request not to be named to the employer unless permission is given at a later stage. The same promise has been made by the rest of the hunters to be mentioned below.

Amsterdam

THE NEXT brings up to another job which has undergone severe modernisation. It is the only formerly done, as I recall it, by brown-coated, beetle browed ex-pugilists called warehouse managers. The main *qualification seemed to be* a pathological hatred of anyone wanting anything in less than six weeks. But the work has been increasingly bureaucratised, computer-connected and re-entitled physical distribution management.

The prime needs now are therefore a fast and numerate mind and thorough understanding of relevant data-processing techniques—or so I am informed by Mike Butterworth of the Inbucon consultancy. He *wants one of the new breed to* work for a United States group in Amsterdam. From there the recruit will control the operations of a centre elsewhere in the Netherlands, which stores and delivers throughout Europe, Africa and the Middle East the group's fast moving consumer products which are of an advanced technological kind.

Wizardry with computers will not be enough, however, because the job will make considerable demands on personality.

"The products are made at five plants in other parts of the region," Mr Butterworth explains. "So the European distribution manager can look forward to having five manufacturing chiefs constantly nagging to have stocks taken off their books at the plants and transferred to the centre's accounts.

"You can see the sort of tightrope you'd be on. If you don't resist the plant bosses, the centre will be bursting at the seams and it'll be your accounts they're chewing their neckties over at headquarters back in the States.

"But if you don't handle the manufacturing chiefs sensitively enough, then some day the centre's liable to be caught short of stocks for an important order and it'll be your blood that's being demanded by the marketing vice-president."

Consequently, *as well as* demonstrable sucess in distribution management spanning several countries and preferably experience of working with Dutch staff, candidates will need to be blessed with diplomacy. Otherwise, I suspect, they would be likely to descend into the state of ferocious misanthropy which characterised so many warehouse managers of the old type—if they managed to hang onto the job for long enough, that is.

Salary will be the equivalent of about £20,000; perks are negotiable.

Inquiries to Mike Butterworth at Knightsbridge House, 197 Knightsbridge, London SW7 1RN; tel. 01-584 6171, telex 916533 Relcon G.

Enigma

TODAY'S last recruiter is Terence Irwin and he is being unusually Delphic because his client is one of but a handful of companies operating in a *very particular field.* Such is his respect for the sleuthing abilities of Jobs Column readers that he fears they will deduce the company's name if he even explains what the particular field is.

My respect is greater since I feel that some readers may be astute enough to do so in any case, especially since no recruitment consultancy may offer a job through this column without providing some clue as to the work in question. And Mr Irwin's is that the field is a "specialised commodity sector of the chemical industry" for which he is seeking a trader to work from his client's London office.

Fortunately for those of us without Sherlock Holmes qualities, the recruiter says that previous experience of the mysterious area of trading is *not a necessity. Indeed it would* seem to be a disqualification since he adds: "We have already decided that the established traders in this field do not meet our requirements and so we are looking for other *people with relevant expertise* in world-wide commodity trading."

Most suitable, he thinks, would be people who have mastered the financial or shipping aspects of such trading, generating profits on their own initiative. Candidates with that sort of experience could then soon be taught the technical details of the mystery object particularly if, as the company would prefer, they were no older than the mid-30s.

True to form, Terence Irwin was also enigmatic about the salary but, having looked over the available evidence through its trusty old magnifying glass, the Jobs Column would estimate a basic sum of up to £20,000 or so plus bonuses based on results *and a car among the perks.*

The address for inquiries deciphers as follows: Irwin Associates, 40 Stonehills, Welwyn Garden City, Hertfordshire, AL8 6PD. But the telephone number is perhaps inevitably complicated. From London the dialling code is 96; from elsewhere 07073 — in either case followed by 29222. The telex is 825214 Barber G.

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— excellent presentation, articulate and impressive individual, who is able to sell himself and the company well
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GOLD FIELDS GROUP
DECLARATION OF DIVIDENDS—UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the standard conditions relating to the payment of the dividends declared by the undermentioned companies on 9 June 1981, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R1.725294 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 29 June 1981 as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:

Name of Company (Each incorporated in the Republic of South Africa)	Dividend No.	Amount per share
Interim Dividend		
Vlakfontein Gold Mining Company Limited	73	5.73611p
Final Dividends		
Doornfontein Gold Mining Company Limited	49	115.92227p
*East Driefontein Gold Mining Company Limited	16	78.24753p
Kloof Gold Mining Company Limited	23	139.10673p
Libanon Gold Mining Company Limited	61	115.92227p
Venterspost Gold Mining Company Limited	82	73.24753p
West Driefontein Gold Mining Company Limited	37	420.21824p

*In respect of the period 1 January to 30 June 1981.

By order of the boards,
C. E. WENNER,
London Secretary.

London Office:
49 Moorgate,
London EC2R 6BQ.
United Kingdom Registrars:
Close Registrars Limited,
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29 June 1981.

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Write: A. P. Bressanin,
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COMPANY NOTICES

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société anonyme
Registered Office:
LUXEMBOURG, 14, rue Aldringen
Commercial Register:
Luxembourg Section B No. 16,855

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

The Extraordinary General Meeting of Shareholders of F. & C. ORIENTAL FUND S.A. will be held at its registered office at Luxembourg, 14, rue Aldringen, on July 8th, 1981, at 11.30 o'clock for the purpose of considering and voting upon the following matters:

1. To amend the second paragraph of article 21 of the articles of association by deleting therefrom the following:
"provided however that profits arising from capital gains, even realised, shall not be distributed."
2. To ratify the decision of the statutory annual general meeting of shareholders held on 23rd April, 1981, declaring a dividend of $USA 0.10 payable on or after 8th May, 1981, on the shares in circulation at 23rd April, 1981.

Resolution on the points of the agenda of the Extraordinary General Meeting requires the presence in person or by proxy of at least 50% of the issued and outstanding capital and must be adopted by a majority of ⅔ of the shares present or represented at the meeting.

In order to take part at the meeting of July 8th, 1981, the owners of bearer shares will have to deposit their shares five business days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with one of the following banks:

Banque Générale du Luxembourg S.A.
14, rue Aldringen
LUXEMBOURG.
Williams & Glyn's Bank Limited
67, Lombard Street
LONDON, E.C.3.

The Board of Directors.

NOTICE TO HOLDERS OF BONDS OF THE ISSUE 8% 1977/86 OF US$25,000,000 MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of bonds amounting to US$3,000,000 has been purchased for redemption on September 1, 1981.

EAST RAND GOLD AND URANIUM COMPANY LIMITED
(Incorporated in the Republic of South Africa)

CLOSING REGISTERS

For the purpose of the annual general *meeting of East Rand Gold and Uranium* Company Limited to be held at 44 Main Street, Johannesburg, on Thursday July 30 1981, at 10h30, the transfer registers and registers of members of the company will be closed from July 24 to July 30 1981, both days inclusive.

By order of the Board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: C. R. BULL
Divisional Secretary

Registered Office:
44 Main Street
Johannesburg 2001

U.K. Transfer Secretaries:
Charter Consolidated Limited
P.O. Box 102, Charter House
Park Street, Ashford
Kent TN24 8EQ

June 30 1981

THE TOR INVESTMENT TRUST LIMITED

NOTICE IS HEREBY GIVEN that the Register of the 5½% Debenture Stock will be CLOSED from the 17th to 30th July 1981 inclusive.

By Order of the Board,
J. TODD, Secretary.

ANNOUNCEMENTS

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The lines are drawn for battle of Wytch Farm

IT IS IRONIC that Mr David Howell, Energy Secretary, should have chosen British Gas Corporation's Wytch Farm Field in Dorset to start a programme to reduce the influence and activities of state energy undertakings.

For the field, in which British Gas has a 50 per cent stake, was discovered and is being developed largely as a result of the corporation's entrepreneurial spirit — the sort of enterprise Mr Howell is trying to encourage.

The problem, from the gas corporation's point of view, is that Wytch Farm is an oil field — and a large one. Its recoverable reserves of more than 100m barrels makes it Britain's most important land field; it is more than twice the size of some commercial North Sea fields.

Discovered by British Gas in 1973, Wytch Farm has led to a marked revival in onshore activity.

In 1978, onshore output was 1,800 barrels a day — one thousandth of the current UK North Sea production. This year, analysts say, it could average 5,000 b/d rising to 18,500 b/d by 1984. Wytch Farm will account for much of this rise.

Mr Howell believes British Gas has no right to be involved in oil. He is peeved that it has invested more than £100m in oil activities in the past two years — money, he says, that could have been used for the gas business or pumped into the Exchequer as profits.

All the corporation's oil interests are in line for the chop.

However, Sir Denis Rooke, the *chairman, is unlikely to give up* anything without a fight. Having refused voluntarily to negotiate the sale of Wytch Farm, Sir Denis forced Mr Howell to issue a Parliamentary directive.

This procedure was started on Friday and almost immediately there were mutterings from within the corporation of a possible legal battle. "Such a directive would impede and prevent the proper discharge of its duties under the Gas Act, 1972," said British Gas.

Sir Denis clings to the Gas Act in the way a drowning man grasps flotsam. All Mr Howell's past attempts to change the Corporation — cutting oil interests, selling off showrooms, or breaking the corporation's monopoly gas-buying powers — have been opposed on the grounds that they would infringe the Act.

Employees, trade unions and politicians have been drawn into the battle.

The corporation has spent £2m on advertising the virtues of its 900 showrooms. It has also warned politicians—through a direct mailing operation—and more than 100,000 staff that up to 40,000 jobs would be at risk if the showrooms were sold off. The reaction was predictable. Industrial action has now been threatened if the Government goes through with its showroom plan.

Ray Dafter explains why Energy Secretary David Howell hopes to reduce the activities of British Gas

Similarly, British Gas has been emphasising the "dangers" of an enforced Wytch Farm sales:

- The effect of divestment on the morale of the 80-strong exploration team would be "devastating" and could affect other areas of activity.
- The corporation had demonstrated it was possible to develop Wytch Farm with the minimum of harm to the environment—inferring private enterprise might be less careful.
- An enforced sale was unlikely to realise the full value of the asset.

These messages are clearly aimed at employees, local environmental interests, and politicians. Opposition MPs have already responded. Mr Peter Hardy, chairman of Labour's energy committee commented: "It is an act of political piracy by pirates who are both blind and incompetent and I hope the Labour Party will pull out all the stops in a bid to halt these developments."

But Mr Howell has steeled himself to act.

Wytch Farm was chosen as a start because it offered the most convenient divestment opportunity. Here, British Gas has only one partner—British Petroleum. There is no shortage of potential buyers given that the reserves are big and the development costs comparatively low.

It is likely too, that more oil or gas will be found there.

Estimates suggest the Government could raise between £125m and £200m from the sale although these figures must be regarded as speculative.

A bigger prize is to be found in the North Sea where British Gas owns more than 250m barrels of recoverable oil reserves.

These offshore deals, however, would be difficult to unscramble.

Sir Denis argues that British Gas is in the North Sea to look for gas but cannot help finding oil occasionally. And what group of companies would have British Gas as a partner if it knew an oil discovery would lead to disruptive changes in consortium arrangements?

The questions are pertinent but not unanswerable. It would be possible to devise a licensing arrangement whereby, if oil were found, British Gas's interest could be automatically offered to other partners or, perhaps, to BNOC.

All this raises a tantalising question about his future. He has just been reappointed chairman for a further five years and has always said he is not a "resigning man."

However, if the Government acts on all its current proposals, will he feel like staying on?

He may argue that British Gas had become a pale shadow of its former self. Rather than resign he may decide he does not want to join the smaller son of British Gas.

Move to defend Lloyd's Bill

BY JOHN MOORE

OFFICIALS at Lloyd's of London are trying to head off any further opposition to the private Bill for improving self-regulation at Lloyd's.

It is understood that Lloyd's, the insurance market supported by a private membership is trying to organise support for its Bill among MPs. It is trying to block any further objections to the content of the Bill which may be raised by a Commons committee.

A committee chaired by Mr Michael Meacher MP (Lab, Oldham W) ruled that the Bill should be amended to provide for key changes in Lloyd's structure which would eliminate conflicts of interest.

The committee ruled that the Bill should be amended to provide for complete divestment between brokers and underwriters and to preclude managing agencies (the groups which run underwriting syndicates) from acting as members' agents (the groups introducing members to those syndicates) because of conflicts of interest.

The changes were asked for after a parliamentary petition, prepared by two Lloyd's members, Mr Nick Parker and Mr *John Burrows, had been filed.* The petition called for major amendments to the Bill.

Lloyd's has been told by the committee to seek a vote from its nearly 20,000 members on the recommendations and the poll will be completed on July 17. Lloyd's will report back to the Commons committee on July 20.

Lloyd's has made it clear to its members that it would like their support for divestment between brokers and underwriters but has indicated its disapproval of the possible divorce of managing agents from members' agency work.

The petitioners may make some concessions on divorce if Lloyd's accepts three draft clauses to the Bill.

The petitioners want:

- The electorate for both the working members and the non-working members of Lloyd's, who will be represented on a new Lloyd's ruling council created by the new legislation, *to be composed of all members* of Lloyd's. Lloyd's is proposing a segregated electorate, with working members voting for working members and non-working members voting for non-working members.
- A limited legal immunity. *Legal* immunity for Lloyd's should only be similar to that contained in section 448 of the Companies Acts. It would protect Lloyd's against suits brought by a limited category of the Lloyd's community, for damages only, and at each instance at the discretion of the High Court.
- A freedom of information clause to replace the Commons committee's call for total divorce between members and managing agencies. This clause would ensure that all members of Lloyd's receive detailed information about their affairs.

Pause in 'golden age' of computers

FINANCIAL TIMES REPORTER

THE COMPUTING services industry could be slowing down after two years of buoyant growth, figures published yesterday suggest.

Total billings to clients in 1980 came to £536.34m, an increase of about 24 per cent over the previous year. Measured in 1975 prices, the increase was only 9 per cent, according to British Business, the official magazine of the Department of Industry.

In the two previous years, total billings grew at 1975 prices by 18 per cent and 16 per cent.

The *magazine* said: "This growth in billings was low in comparison with that in the two previous years and was similar to the rate of growth in two previously recorded periods of comparatively slow growth, 1973-1975 and 1976-1977."

The chief growth in the computer sector is in consultancy—companies which advise on the best way to carry out data processing.

For some years, growth was held back by the shortage of qualified *operators.* Between 1974 and 1977 the number employed in the industry grew from 19,471 to only 20,997. Now the total is 26,821 and growing at nearly 10 per cent a year, according to British Business.

PENSIONS: Insurance companies and private-sector pension funds invested £449m in overseas securities in the first quarter of the year, nearly 20 per cent of their total net investments of £2.28bn, British Business reports.

Private sector *pension* funds led the way in overseas investment, placing £209m of their total £661m abroad.

A total of £148m was invested in UK company securities, in contrast to the general funds of the insurance companies which sold a net £11m in UK companies and bought £44m of overseas securities.

Total net investment by both groups was slightly down on the previous quarter, with only the long-term insurance funds increasing total investments from £1.3bn to £1.45bn.

The long-term funds invested £196m abroad and made a record £84m investment in authorised unit trusts at home. *Property investments by* the three groups amounted to £353m, or 15.5 per cent of total, maintaining the trend from last year, when the three groups invested £8.4bn overall. In this year's first quarter, total investment was £2.2bn—slightly ahead of the 1980 fourth quarter, and 23 per cent higher than in the first quarter of 1980.

ENGINEERING: A boost in March orders reflects the slight upward trend in the engineering industries, according to British Business.

The figures show that, on a seasonally-adjusted basis, new orders in the first quarter of 1981 were 25 per cent higher than the previous quarter.

Sales, however, are 4.5 per cent lower than in the previous quarter. Order books remain weak by previous years' standards.

New orders from overseas were 17 per cent higher in the three months to March compared with the last quarter of *1980.* While this *has* meant longer order books, there is no sign of an improvement in export sales, the DoI says.

MACHINE TOOLS: The fall in home sales in the machine tool industry continued into the first quarter of 1981, British Business reports.

The improvement in the home order book at the beginning of the year was not sustained and home sales fell by *14 per cent between* January and March.

The overseas market has improved slightly, however, with a 17 per cent increase in new orders although sales declined by 12.5 per cent between January *and March.*

The Department of Industry says the fall in export orders on hand, 3 per cent down in the first quarter, shows signs of abating.

FURNITURE: Domestic furniture deliveries by British manufacturers in April are still depressed and the industry's order book at the end of the month was considerably smaller than a year before.

Statistics published in British Business give the seasonally-adjusted index for deliveries in April as 78, 16 points lower than in March and 15 points less than in April 1980.

The orders on hand index at the end of April stood at 44, five points lower than in March and 15 points down on April 1980.

TEXTILES: Sales by wholesale textile houses in April continued to decline, British Business said.

Sales fell by 4 per cent in April compared with the same period last year. However, destocking continues with a fall of 6 per cent in April compared with the same period in 1980.

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'Irresponsible wage bargaining worsens unemployment total'

BY IVOR OWEN

GOVERNMENT EFFORTS to "talk down" the level of wage settlements continued in the Commons last night, with a robust speech by **Mr Norman Tebbit**, Minister of State for Industry.

He blamed "irresponsible pay bargaining" for unnecessarily adding to the numbers out of work and swelling the mid-June unemployment total to 2.68m.

Mr Tebbit, speaking in a debate on the problems of Yorkshire and Humberside, followed the theme set by **Sir Geoffrey Howe**, the Chancellor of the Exchequer, at the weekend, and warned that unless negotiators adopted a more realistic attitude more workers would lose their jobs.

"This Government's first aim is to control inflation and the extent to which that leads to transitional unemployment is vitally affected by the level of pay settlements," he said.

Ignoring scoffing from the Labour benches, Mr Tebbit reaffirmed his belief in free collective bargaining, but insisted that the Government had always made it clear that it could have "terrible effects" if conducted irresponsibly.

Despite the warnings given by Ministers last year, many people had "walked straight into it" and put either themselves or many others out of work by doing so.

Mr Harold Walker, MP for Doncaster and a Labour spokesman on employment, protested that the Government should accept some responsibility for what had occurred, in view of the statement in the 1979 Conservative election manifesto highlighting the fact that Britain was a low-paid country.

Mr Tebbit replied: "We are all agreed that Britain is a low-paid country. The problem is that productivity is even lower than pay."

He underlined the progress required to make British industry more competitve by pointing out that between the fourth quarter of 1979 and the fourth quarter of 1980, unit labour costs in manufacturing industry, calculated in national currencies, rose by 23 per cent in the UK, 11 per cent in West Germany, 18 per cent (provisional) in France, 11 per cent in the U.S. and 4 per cent in Japan.

In terms of the value of the U.S. dollar, the index of unit labour costs in manufacturing industry rose 35 per cent in the UK, 3 per cent in West Germany, 10 per cent (provisional) in France, 11 per cent in the U.S. and 18 per cent in Japan.

Mr Tebbit insisted there could be no substitute for returning to competitiveness.

Tebbit: "No substitute for competitiveness"

"Any trading nation like ours has no choice but to meet competition and beat it or be beaten by it."

He accepted that unemployment in Yorkshire and Humberside was 1 per cent above the national average—at 11.9 per cent—but offered no addition to the help being provided through regional policy aids.

Mr Tebbit defended the narrower criteria used by the Government in determining its regional policy and maintained that the situation the Tories inherited in May 1979, when 44 per cent of the country was receiving some kind of aid, could not be justified.

"We are concentrating regional aids measures on those areas which really need them," he said.

Mr Pat Duffy (Lab. Sheffield Attercliffe), who opened the debate from the Opposition front bench, described the situation in the region as "grim."

There was no sign of economic recovery and no sign of growth, but with typical "Yorkshire grit" men and management in industry were making a fight of it.

"No one in Yorkshire is asking for summat for nowt. There is no begging bowl mentality. Simply an undying determination to survive," he said.

He had no doubt that Yorkshire grit would eventually bring in the brass, but the process would be speeded up if the Government were to stop "clobbering" industry and local authorities in the region.

Mr Duffy called on the Government to institute constructive interventionist policies.

Hayhoe appeals to civil servants to abandon action

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

CIVIL SERVANTS should abandon their industrial action "without further delay" now that the Government has set up an independent inquiry to find a new way of settling their pay, **Mr Barney Hayhoe**, Minister of State for the Civil Service, told the Commons yesterday.

His appeal came as he announced the establishment of the inquiry under Sir John Megaw, a retired Lord of Appeal, to report in time for the 1983 pay negotiations.

Making a similar statement to Peers, **Lord Soames**, Minister responsible for the Civil Service, warned that if the industrial action continues it might not be possible to fully backdate the 7 per cent pay offer.

Mr Hayhoe told MPs that it was the Government's hope that the Service would see the announcement as opening the way to a constructive and honourable solution of the long term issues behind the dispute.

The inquiry, he said, underlined the Government's concern to establish a fair and sound basis for the future determination of pay in the Service.

"The public has a right to expect the Civil Service unions to respond equally constructively by bringing their disruptive action to an end," he said.

"I hope they will do so without further delay."

The Minister said that neither the Government nor the unions was committed to accepting the recommendations of the inquiry. But it should establish a system "which would be fair to the taxpayer, fair to the Civil Service and which would command public confidence."

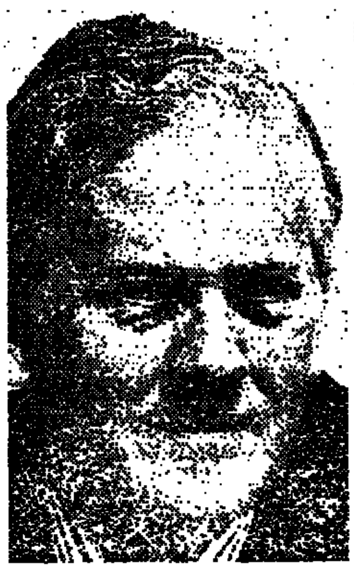
Mr Alan Williams, the Opposition spokesman, claimed that by setting up the inquiry the Government was merely re-establishing the Pay Research Unit under another name.

He accused the Government of "appalling incompetence" by wasting nine months in which the committee could have been working to draw up a report in time for next year's pay round.

The timing meant two years in a vacuum as far as the Civil Service was concerned.

Mr Williams and other Labour MPs were particularly concerned to know how the policy squared with the recent call from Sir Geoffrey Howe, Chancellor of the Exchequer, for even lower wage settlements.

But Mr. Hayhoe said that the Chancellor's comments should receive support from all parts of the House. Pay in the coming round ought to be much more in line with the growth of the productive capacity of the country. That was the only way in which industry could become competitive and Britain could get on top of inflation.


Hayhoe: hoped the action would be ended "without further delay"

Williams: accused the Government of "appalling incompetence"

In the Lords, Lord Soames was asked by **Lord Mottistone** (C), whether the existing pay offer was still on the table. He replied that if the industrial action continued, the Government would have to consider "what further response it will have to make, including the operative date of the recent pay offer."

Lord Soames said the Government did not want to penalise those who had worked normally but it would be very difficult to pay the increases from different dates to different individuals.

"This has not been decided and I hope the question will never arise," he said.

In the Commons, there was qualified approval from Conservative MPs. But Sir William Clark (Croydon South), chairman of the Tory backbench finance committee, was particularly anxious that the inquiry should take into account the inflation-proof pensions received by civil servants.

He said that Mr. Hayhoe should consider the security of employment enjoyed by them and also look at "the inadequacy of their contribution to the index-linked pension scheme."

Mr. Hayhoe replied that it was not for him to interpret the terms of reference. This was a matter for Sir John Megaw. Later, however, the Minister indicated that inflation-proof pensions are likely to form part of the inquiry.

Mr Charles Morris Lab., Openshaw), a former Minister of State for the Civil Service, said that civil servants were entitled to remuneration comparable with people in the private sector. He asked if the questions of fair comparison, job security and pensions would be included in the submissions which the Civil Service Department would make to the inquiry.

Mr Hayhoe replied: "Yes, I can give you that assurance."

There was confusion on the Tory benches over Mr Hayhoe's statement that there would be genuine negotiations with the Civil Service in 1982 in advance of the fixing of cash limits.

Mr Terence Higgins (C, Worthing), a former Treasury Minister, wanted to know if the non-industrial Civil Service was being treated as a special case in this respect. Would it also apply to teachers and workers in the nationalised industries?

Mr Peter Emery (C, Honiton) asked whether the Minister was saying that next year's negotiations with the Civil Service would take place with or without cash limits.

Mr Hayhoe explained that both he and Lord Soames had already said that negotiations in 1982 would be carried out without predetermined cash limits.

Mr Teddy Taylor (C, Southend East), wanted to know whether there would be an element of arbitration in next year's negotiations.

Mr Hayhoe told him that the Government "has neither ruled out arbitration nor ruled it in."

Britain 'lags behind EEC in energy conservation'

BY MAURICE SAMUELSON

MPs WERE told yesterday that less than 10 per cent of dwellings in Britain are double-glazed and an even lower proportion of those with cavity walls have wall insulation.

These were among figures presented to the Commons Committee on energy in the latest of a series of hearings on fuel conservation. The witnesses represented manufacturers of mineral fibre insulating material and the glass and double glazing industry.

All claimed that Britain lagged significantly behind other EEC countries in its approach to conservation and blamed this on lack of incentives from the Government and slowness in tightening building regulations.

Eurisol UK, representing makers of mineral fibre insulants, said that of 11.9m UK dwellings with cavity walls, only 1.1m had been insulated. Mr Ron Motteshead, Eurisol's technical marketing director, said he was "appalled" that it sometimes took six or seven years for a revised building standard to be considered. By the time a new standard was introduced, it was out of date.

The overnment should draw up standards of insulation five to ten years ahead of expected fuel prices.

The Glass and Glazing Federation said the UK had the only Government in the EEC which gave grants for loft insulation but excluded double glazing.

Nearly all other EEC countries, including Holland and France, with climates similar to the UK, had some mandatory requirements for double and triple glazing. Less than 10 per cent of existing dwellings were double glazed and less than 10 per cent of new dwellings had some form of double glazing.

The federation broadened its criticism to take in the Government's reliance on high energy prices to inhibit consumption. Describing this policy as "fallacious," it said that well intentioned assistance for the fuel bill for the poor and elderly could be counter-productive, since it did not cover cost-effective measures. The money would be better spent on conservation.

More domestic conservation measures could also boost jobs. It had been estimated that a 10 per cent increase in double glazing could create up to 20,000 new jobs.

Scrapping Covent Garden grant 'would be disastrous'

BY GARETH GRIFFITHS

SIR CLAUS MOSER, chairman of the board of the Royal Opera House at Covent Garden, told the Commons education and arts committee yesterday that the effect of the Greater London Council's proposal to withdraw its grant would be disastrous.

Lord Harewood, managing director of the English National Opera, said that if the GLC grant was withdrawn the company would probably have to operate for only 10 months of each year.

Even if the ENO scrapped all its new productions for next year and imposed a wage freeze on its staff the company would still be £250,000 a year short.

The proposals for cutbacks come from a discussion paper by GLC arts committee chairman Mr Tony Banks. If implemented it would mean a cut of £350,000 a year in the ENO's income.

Sir Claus told the committee, which is examining arts funding, that business sponsorship of the arts could not meet Covent Garden's financial needs.

The sums involved were of a different magnitude from the sums raised by business and private sponsorship and could be met only by the state.

Covent Garden's earned income as a percentage of total expenditure has fallen from 49 per cent in 1972-73 to 44 per cent in 1979-80.

Sir Claus argued that a top priority for extra funds to improve access for the public.

Sir John Tooley, the general director of the Royal Opera House, said that chasing money from sponsors took up an inordinate amount of management time.

Campaign to curb trade union power

By Richard Evans, Lobby Editor

A CAMPAIGN was launched yesterday to increase pressure on Mr James Prior, Employment Secretary, to introduce tougher trade union reforms in the next parliamentary session.

As the consultative period on Mr Prior's Green Paper proposals comes to an end, Mr eGorge Gardiner, (Con., Reigate), one of the leading campaigners for stronger legislation, told the Federation of Conservative students in London that all the suggestions from employers' bodies, not least the CBI, should be given serious consideration "with a view to curtailing in clearly defined circumstances the blanket immunity enjoyed by trade unions and their funds."

Mr Gardiner's views reflect those of many Conservative backbenchers who believe that Mr Prior's Employment Bill did not go far enough to redress the balance of union power.

They will be intensifying their campaign between now and the next session, with the party conference in October as a prime platform, in order to ensure that Mr Prior takes full account of party feelings.

There is an increased belief at Westminster that the Employment Secretary, who is opposed against precipitate changes in the law, has accepted the need for more legislation. What will remain unclear until the autumn is how far he is prepared to go.

Mr Gardiner's view was that the Government now definitely intended to bring in a further Bill to reform trade union law, which would include action to remedy some aspects of the closed shop.

He added, however, that the need for reform went well beyond this. There seemed, for example, to be a wide measure of agreement that union immunity in an industrial dispute should not aply until available procedures for settling that dispute had been exhausted.

In the last General Election manifesto the Tories had pledged "to strike a fair balance between the rights and duties of the trade union movement," and that meant more than simply curbing abuses of the closed shop.

"The key lies in ensuring that irresponsible action carries with it a real risk to any union engaging in it, just as it does to any employer. The country cannot afford a 'next step' in the reform of industrial relations law that leaves only a shallow footprint."

Unesco press freedom fight 'will continue'

BRITAIN MUST stay in Unesco (the United Nations Educational, Scientific and Cultural Organisation) to fight any attempt to prevent freedom of the media, Mr Neil Marten, Minister for Overseas Development, told the Commons.

Mr John Townend (C., Bridlington) asked: "Would you support the U.S. Government's opposition to payments—indeed some people would describe them as bribes—made to certain newspapers to print biased articles about aid to the Third World.

Mr Marten told him: "We do not want to withdraw if the Americans do, because I think the question of freedom of the media is something we must stay in to protect.

"We must fight any attempt to deny freedom of the media in Unesco."

British Telecom 'needs greater flexibility in borrowing'

BY DAVID MARSH

BRITISH TELECOM will require substantially higher levels of borrowing during the next few years to finance its capital investment programme, Sir George Jefferson, BT's chairman, told MPs yesterday.

Giving evidence before the Commons Treasury and Civil Service committee as part of the committee's inquiry into financing of the nationalised industries, Sir George renewed BT's pleas to be allowed greater financial leeway by the Government. He said BT needed "more than ever" to be allowed greater flexiblity in the manner and timing of its borrowing.

Sir George said the Treasury had allowed BT to increase its external financing limit (EFL), for 1981/1982 to £380m from the earlier figure of £180m. But this was still short of BT's request for an EFL of £500m which left a financing gap of £120m.

According to written evidence presented by Sir George to the committee, BT needed to invest annually at least £2bn (at 1980/1981 prices) over the next five years.

Even with self-financing ratios of 80 to 85 per cent—high by normal commercial requirements—BT needed EFL's of between £500m and £650m (at expected outturn prices) over the next five years.

Sir George said the Government had given BT new borrowing powers to tap additional sources of finance. But as far as 1981-1982 was concerned, the Government did not intend to allow BT to borrow from the market.

BT was examining other sources of finance as alternatives to borrowing from the national loans fund. These were:

- Subscriber bonds either on a voluntary or obligatory basis;
- Straight issues of bonds to the fixed interest market;
- Issues of bonds, more akin to equity, with yields related to BT's performance measured by profit or other yardsticks.

According to notes provided by the Treasury to the committee, nationalised industry capital spending was only worth undertaking, in the Government's view, on projects that would earn at least a 5 per cent real rate of return.

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'Pay policy' challenged by engineering workers

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE LEADER of Britain's 2.5m engineering workers yesterday sharply criticised what he called an "illicit alliance" between government and industry aimed at lowering wage settlements this autumn.

The attack was made by Mr Roy Grantham, general secretary of the white collar union APEX and president of the Confederation of Shipbuilding and Engineering Unions.

He said that calls from Sir Geoffrey Howe, the Chencellor, and Sir Terence Beckett, director generalo f the CBI, for low, single-figure wage increases in the coming year, amounted to "an incomes policy by another name," from which workers had been excluded.

Speaking on the eve of the confederation's annual conference, in Ayr, he said: "It is highly irersponsible of the Government to talk about wage increases of 5 per cent when the cost of living increases are way over 10 per cent."

The confederation will determine the wage claim for its 1.5m members employed by companies in the Engineering Employers' Federation later this week.

A motion from the Amalgamated Union of Engineering Workers' constructional section, calling for a national minimum weekly rate of £100—a 26 per cent increase — for skilled workers, may also reach the conference floor.

Nevertheless it is almost certain that the AUEW's dominant engineering section, whose national committee voted for a "substantial" claim earlier this year, will carry the day when motions are composited today.

The present national minimum weekly rate is £79 for skilled workers and £56.80 for unskilled workers. Most have a considerably higher basic wage through local deals.

The confederation's claim will be presented to the EEF probably at the end of next month. The negotiations will be among the first of the new

The conference will also discuss an emergency motion on the defence review, condemning cuts in the naval programme.

Mr rantham said the British Shipbuilders yards of Swan Hunter, Cammel Laird, Vospers and Yarrow are at risk because of the cuts.

TUC stresses need to harness new technology in print industry

BY NICK GARNETT, LABOUR STAFF

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THE printing industry must not turn its back on new technology, Mr. Bill Keys, chairman of the TUC printing industries committee and general secretary of the print union, Sogat, said yesterday.

Workers fear that it would increase unemployment was understood but full advantage must be taken of it.

The need to harness technological change was one feature of the TUC's Prospects for Print document launched yesterday to explain the unions views on the industry's difficulties.

The document, to be circulated among unions and MPs, castigates Government poliices on energy and exchange rates for inflicting "serious damage" on printing and publishing.

It calls for Government action on the industry's earlier submission, A Joint Approach to Immediate Problems, greater Government pressure to make international trade more equitable and more urgent discussions between the printing industries sector working party and publishers to reverse the flow of work going abroad.

Mr Keys said alternative and imaginative policies must be instituted to safeguard the industry which was suffering a steep decline. If the decline continued, the general printing industry as it existed at the moment would be virtually extinct within a few years. A new one would have to be invented, he said.

The TUC document says the industry accounts for 8 per cent of manufacturing output but that this could dwindle. Employment had fallen from 541,000 to 512,000 in the 12 months to October 1980.

Some sectors, including book manufacturing, were suffering very bady. Five years ago 30 per cent of mail order catalogues were printed abroad but this had risen to 60 per cent.

The industry had had some success in reversing this trend in certain areas, Mr Keys said, and this included part of the Thomson publishing empire.

The unions were "not without sin," Mr Keys said and this point was underlined by Mr John Jackson, general secretary of the process union, Slade.

On the issue of originating material and the use of Optical Character Recognition equipment, Mr Jackson said the unions would have to take a more realistic view although there would be no immediate relaxation in union demarcation.

The document, which was discussed with Mr John Silkin, shadow industry spokesman yesterday, calls for much greater investment in the industry and Mr Keys said the unions should be consulted o ntis use.

Union officials stressed that Fleet Street was only a small part of the industry. Mr Keys said the current "dog-eat-dog" atmosphere there was putting almost every national newspaper at risk. Some would not survive.

Mr Owen O'Brien, general secretary of Natsopa said employers and unions in Fleet Street "deserved each other."

THE Press Association yesterday received two weeks' strike notice from National Graphical Association members operating teleprinter *and picture transmission* equipment. The operators had rejected a 12 per cent package offer in a ballot despite an acceptance call by the union's national council.

Murray calls for more jobs at EEC rally

By Larry Klinger in Luxembourg

WEST EUROPEAN trade unions yesterday took their calls for economic revival and state job creation programmes directly to the EEC heads of government.

Mr Len Murray, TUC general secretary, was among labour leadesrs who addressed about 2,000 trade unionists at the Kirchberg centre on the outskirts of Luxembourg where the two-day summit is being held.

The demonstrators cheered as a succession of speakers attacked "Thatcherist" and "Giscardist" policies.

Mr Murray said "Thatcherism" meant that the block had been turned back, that social progress had been interrupted

Ambulancemen's leaders postpone strike decision

BY PAULINE CLARK, LABOUR STAFF

SCOTLAND'S 1,600 ambulancemen are to continue their campaign of lightening strikes without providing emergency cover but national leaders of Britain's 17,000 ambulancemen have postponed any further strike decision until the end of *this week.*

In the wake of last Friday's patchy response to the national 24-hour strike call, union convenors of London's 2,300 ambulancemen also decided yesterday to wait until Thursday before deciding on further action.

The National Union of Public Employees, representing the largest number of the country's ambulancemen, is likely to spend the next two or three days in intensive consultation with its members on how to pursue their 15 per cent pay claim.

The union claims that a number of branches have demanded more militancy with withdrawal of emergency cover during strikes. In some areas last Friday, emeregency cover was not provided but in some cases this is being put down to employers sending ambulancemen home rather than branches wanting more hardline action.

Nevertheless, shop stewards and officials from the four unions involved decided in Glasgow yesterday to seek a recall of the unions' negotiating body to press for a more militant approach

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MEDIO

Bank union to seek members in U.S. groups

By Nick Garnett, Labour Staff

A RECRUITMENT drive in the U.S. banks, one of the biggest non-unionised sectors of the finance industry in the UK, is being prepared by the Banking, Insurance and Finance Union.

The union is tabling a motion at this year's Trades Union Congress calling for general trade union assistance in a campaign against those U.S. banks and other multinationals which it says operate "anti-union" practices.

The union said yesterday this should include direct action, including a possible boycott of accounts, against banks which block employees' rights to organise.

Disregard of this right was a violation of codes of practice on good industrial behaviour signed by the Governments of most of the major industrialised countries and their unions, the union said.

As part of the union's attempt to reinforce its position within the international banks, Bifu yesterday announced details of arbitration results on its claim at Standard Chartered Bank.

The arbitration supported the bank's offer of 10 per cent —which has been rejected by the union—but also awarded a £110 cash lump sum to all staff. The union said this would give an average 2 per cent extra for most of the bank's employees.

The settlement for the English clearer was a straight 10 per cent on salaries. Mr Steve Gamble, Bifu assistant secretary for the foreign banks, said the award reaffirmed the union's demand that the international banks act independently of the major clearers.

He said the union would not allow them to "fob off" their staff with the same offers as the clearers. They should give "proper regard" to their own profitability and separate identity.

Docks deadlock

TALKS BETWEEN the Liverpool Port Employers' Association and the Transport Workers' Union over the annual pay award for their 3,500 dockers on the Mersey ended in deadlock yesterday after three hours. The pay deal should have been implemented on May 1 and will be backdated. However, delays have already led to four one-day token strikes.

County agrees to closed-shop talks

BY PAULINE CLARK, LABOUR STAFF

DERBYSHIRE County Council's personnel committee yesterday agreed to immediate talks with unions representing 13,500 manual council workers on proposals for establishing a closed shop.

The move initiated by the newly elected Labour council is likely to heighten controversy over the establishment of closed shop agreements in local government.

It comes in the wake of a major national row last February over the dismissal of an employee of Sandwell Metropolitan District Council in the West Midlands because of its hard-line union membership agreement.

The Derbyshire decision also comes at a time when national debate on the general issue of closed shops in industry as well as the public service sector has intensified following five months of consultation on the Government's Green Paper on trade union immunities.

The period of consultation ended yesterday with evidence of some suport for outlawing the closed shop altogether, notably from the Freedom Association.

The Derbyshire council, which after achieving a strong Labour majority in the elections last May recently withdrew from the County Councils Association, said yesterday that a commitment to seek a closed shop was contained in the Labour group's manifesto.

Under the present proposals, however, the Derbyshire closed shop would vary considerably in its terms and conditioens from that of Sandwell where existing non-union employees were required to join one of the unions party to its agreement.

The council made clear yesterday that only new employees would be told they must join a union and any agreement would contain an exclusion clause allowing those with a conscientious objection to opt out if they give the equivalent of a union subscription to charity.

The total number of union membership agreements existing in local authorities is not known at present although the National and Local Government Officers Association claims at least 53 agreements covering its own members.

Rail board urged to find aid from Government or resign

BY PHILIP BASSETT, LABOUR STAFF

BRITISH RAIL's board ought to resign if the Government refuses to fund investment in the railway industry, Mr Tommy Ham, president of the National Union of Railwaymen, suggested yesterday.

Mr Ham, in his presidential address to the union's conference, said: "I sometimes think it would be more honest of the board if it said collectively to the Government: 'We can no longer run a vital service on the financial support you are giving. If you cannot offer realistic support, you will have to find a new board.' I think that is realistic."

He went on: "I believe workers in the industry would think more of the board if they *told the Government loud and* clear that 'enough is enough.'"

BR board members have considered the idea put forward by Mr Ham, but concluded that it would have little effect.

The Government is pressing for staff cuts and changes in working practices to help fund further electrification of the railway network. Mr Ham acknowledged that there was some scope for savings, but he said that, "in the context of the needs of the industry in terms of investment and financial support, the savings we can generate internally are peanuts."

He said the Government's statement on future electrification of the railways had "so many strings attached as to make it almost meaningless." He disagreed sharply with the view of Sir Peter Parker, BR *chairman,* that it presented "a new fighting chance for the railways."

Sir Peter will address the conference today. He is expected to outline progress made towards further electrification in talks with officials held since the Government announcement last week.

Mr Sid Weighell, NUR general secretary, warned that if the union's programme for the railways — further investment, a higher pay increase than the offered 7 per cent, and increases in pay, in return for improvement in productivity—were not implemented, then the unions might have to invoke the terms of the triple alliance between railwaymen, miners and steel workers in support of any action.

Mr Weighell said that if Labour were to lose the next election the blame would lie with those currently squabbling within the party.

Mr Ham also urged the party to put its house in order.

Three-week London Tube strike possible

BY PHILIP BASSETT, LABOUR STAFF

LONDON TRANSPORT faces a minimum of three weeks' all-out strike by the National Union of Railwaymen on the Underground from July 20 if the 8 per cent pay offer is not improved.

The NUR has set aside £500,000 to fund the strike by its 15,000 Tube members. This, it estimates, will yield strike pay for three weeks.

After that the NUR would be likely to appeal to other unions for financial assistance. The NUR in the past has given money to support strikes by other unions, most notably in the national steel strike last year.

NUR officials plan to make sure that there are no increased British Rail services during the projected Tube action to reduce increased pressure on BR trains.

The union will ask other transport workers not to do anything that would undermine the NUR strike. Agreement to this by the Transport and General Workers' Union would inhibit ability of the LT executive to mount extra bus services.

Mr Sid Weighell, NUR general secretary, speaking at the union's annual conference in St. Andrews yesterday, renewed his criticism of Mr Ken Livingstone, leader of Greater London Council, for the LT offer of 8 per cent plus ½ per *cent for productivity as not coming closed to the* NUR claim of about 13 per cent.

Mr Bob Kettle, secretary of the NUR London Transport District Council and a leading Left-winger in the NUR, said that the dispute was about pay and was not a political wrangle between the moderate Mr Weighell and the Left-wing Mr Livingstone.

Talbot unveils new-style car plant

Arthur Smith explains how Ryton factory has raised productivity

"I DON'T THINK people yet realise the extent to which the often-stereotyped image of the militant and probably lazy British car-worker is a thing of the past." That is a view which Mr Geoff Whalen, personnel director of Talbot, puts across with some passion.

He claims a 40 per cent productivity improvement over two years at the company's Ryton car-assembly plant, in Coventry—crucial to winning a commitment of £10m new investment by Peugeot, the French-owned parent.

"We are now competitive with the best in Europe. I would be surprised if you could find a plant anywhere, where attitudes to work are better." Production losses due to disputes were virtually non-existent. "Revolutionary progress had been made in what was regarded not so long ago as an insoluble problem."

But how had it been achieved, and how did the situation at Talbot compare with BL Cars, where Mr Whalen had been employee relations director, before resigning shortly after the appointment as chairman of Sir Michael Edwardes. "Any comparison is unfair. The national environment, in which companies operate has changed dramatically," Mr Whalen maintained.

Indeed, when he was at BL the work-force totalled 120,000 and the company was committed to expansion—to achieving a 33 *per cent share of the UK market* and annual sales of more than 1m cars. A Labour Government, dependent on the support of the trade unions, was pioneering experiments in worker participation.

When Mr Whalen arrived at Talbot in March last year, the company was already embarked upon a programme of contraction. Workers had been laid off and Mr George Turnbull, the chairman and a former managing director of British Leyland, had endured a three-month strike at the two Coventry factories to impose a 5 per cent pay deal.

Since then, the Linwood factory has been closed in Scotland, with a loss of more than 4,000 jobs, while in Coventry unemployment has climbed to record post-war levels.

Mr Whalen, held in high esteem by union officials as a tough but fair-minded negotiator, was the man to push through bargaining reforms with the aim of reducing inter-union rivalry and sectional disputes.

But he contends: "The biggest single factor responsible for the productivity changes has been a realisation by the management, trade unions and work people that the day of reckoning had come, and that *we had a good future only if we* made radical improvements."

The reasons and the actions necessary to raise productivity had been discussed at every stage from the plant manager through to the shop-floor worker. Mr Turnbull believed management had to give a lead and in Talbot emphasis was placed on regular systematic communication with the workforce.

At the Ryton plant, for example, the tracks were stopped for half an hour once a month, so that the management could explain investment plans in detail and take questions on market performance and production targets.

The reduction in manning levels at Ryton has been dramatic. In June two years ago, 1,321 manual workers were employed to produce 1,075 cars a week. In theory, each car would be built in 49 hours, but production hold-ups, because of breakdowns, disputes and component shortages, increased the time to 60 hours.

Today, with 400 fewer workers 1,024 cars a week are turned out. Each car is assembled in 35 hours—a figure which makes Ryton competitive with the rest of the Peugeot empire.

Mr Whalen maintains that *such improvements are* achieved more by better planning than through extra effort. "No one is working excessively, but by the same token you don't see people standing around doing nothing — a feature common in most UK car plants just a few years ago."

A key area where management has clamped down is abuse of relief time—the periods given for tea breaks and for workers to use the toilets.

The path to higher output has been smoothed by a self-financing incentive scheme, which is now yielding a 10 per cent bonus. For the average production worker, it means another £10 on top of his £96 basic wage.

Improved work practices and flexibility have also given greater continuity of production. A key factor in this, according to Mr Whalen, is that the management can now concentrate on its *real responsibilities* rather than dealing with labour problems.

"A few years ago, to go into a car factory was like entering a wartime control room. Everyone was fighting the fires of industrial unrest. The main aim was just to keep the plant working."

Mr Whalen maintains that with the sharp drop in disputes, the atmosphere within the plant is better and employees are happier. "The regularity of production gives greater security. Quality *is much* higher. We are not complacent, but our people can take pride in knowing they now compete with the best in Europe."

National building site accord faces test

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE NEW national site agreement, on which the mechanical construction industry's hopes for the future are pinned, will face its biggest test at a delegate conference of the engineering construction union in Buxton next Wednesday.

The Amalgamated Union of Engineering Workers (Construction Section), whose general secretary, Mr John Baldwin, has led the trade union side through the tortuous negotiations, believes that the agreement will find easy acceptance among employers and other unions. But it stands the greatest risk of a fall at the final hurdle of Mr Baldwin's own, crucial union.

The agreement has been sent out this week to all the members of the two main employers' groups who will be party to it—the Engineering Employers' Federation and the Oil and Chemical Plant Contractors' Association—and to the trade unions with members in the industry.

The major features of the agreement are:

● A skilled hourly rate of £2.77, with unskilled and semi-skilled workers receiving 80 and 90 per cent respectively. This will come into force on November 2 this year, and there is an understanding between unions and employers that it will rise to £3.

● The creation of a National Joint Council, with equal representation (probably 16 members each) from unions and employers.

It is likely that the National Economic Development Council, which has been closely involved in the discussions, will provide accommodation and a secretariat at least initially. The search for a part-time chairman and a full-time chief executive for the NJC is now under way. The NJC will be the industry's national *negotiation body,* and will be complemented by site joint councils.

● The new agreement will cover sites now operating under the mechanical construction engineering agreement and those working under a variation of the BP standard sites agreement. This will include the Central Electricity Generating Board sites.

New life for colliery on closure list

By Our Labour Editor

THE NATIONAL Coal Board has confirmed that Orgreave colliery in South Yorkshire, focus of a miners' campaign against pit closures, is to be given a new lease of life.

The board has told Mr Arthur Scargill, president of the Yorkshire area of the National Union of Mineworkers (NUM), that a new drift mine will have to be opened to exploit reserves that lie too far from the present shaft.

About 500 men will be redeployed while the workings are constructed, but they will be given precedence in recruitment for the new jobs.

The decision represents a considerable victory for the area NUM, since Orgreave had been for some time on the board's closure list.

Mr A. Scargill said that it was a personal assurance about Orgreave from the Coal Board's chairman that prevented the Yorkshire miners following those in other areas who struck in February to force financial concessions from the Government.

A similar solution has been found for Wakefield Manor colliery in the North Yorkshire coalfield.

The board has been seeking to negotiate closure of several other collieries under the old *joint review system ever since it was forced to withdraw its* accelerated plans.

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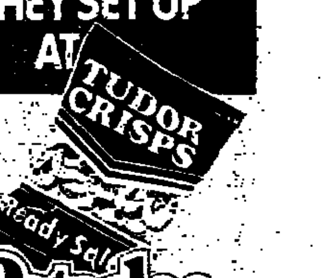

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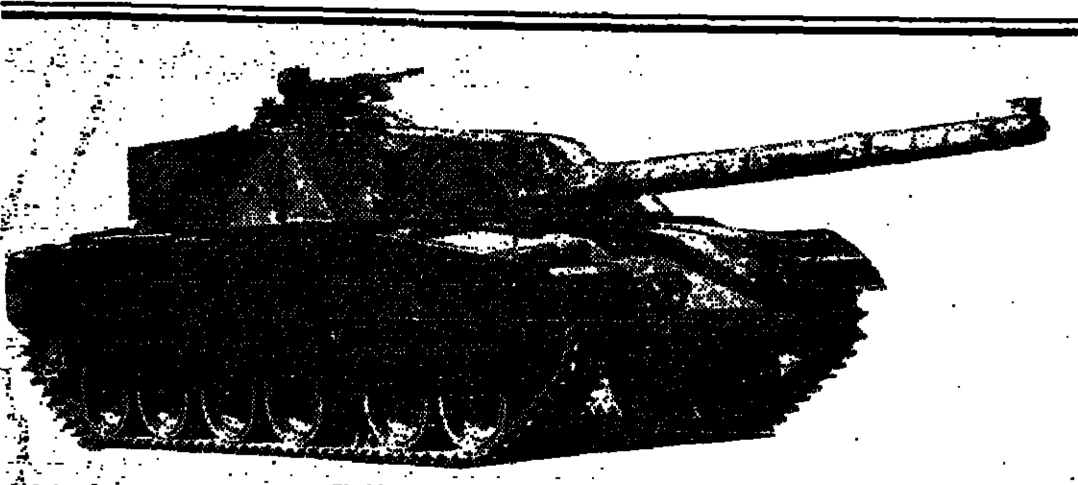
EDITED BY ALAN CANE



Chobham armour for a new generation

..POINTERS..

Heat-loss

UNITY POWER Systems of Croydon says its ThermoFlow battery powered hand-held device for locating insulation defects, measuring heat loss and estimating the K-Value of building materials has been developed for energy managers, construction and maintenance engineers. A large digital display gives a direct reading in Watts/m² which, multiplied by the surface area, makes it possible to estimate the energy loss per day, month or year. More on 0276-26466.

Scampi coats

FOOD PROCESSORS can now obtain two ranges of enrobers from Derby engineers Coat Fry. These are dip type and falling curtain type enrobers.

The dip type carries the food product to be coated by means of a stainless steel conveyor down into a bath of batter. The falling curtain meets the needs of those with a wide range of *product sizes to coat in a puff* batter or who have very small pieces such as scampi to enrobe.

The new enrobers have been evolved by Maurice Oakton who has more than 15 years' experience of designing puff or tempura-style batter enrobing machines. More on 0332 368912.

Road blockers

SECURITY Barrier specialist Frontier Gate of Birmingham has introduced a new range of low cost, rising road blockers which it claims is the first available to be wide enough for commercial vehicles using lorry parks, airports, military establishments, freight terminals and power stations. It says the blockers are also strong enough to stop a 30-tonne truck.

Supplied in widths of up to three metres they are operated by an electrically powered hydraulic pump which raises *the hinged 10mm steel plate* stop to a height of 533mm.

Acoustics

DESIGNED TO combine state-of-the-art structural, acoustical and *energy saving standards of* performance, the Industrial Acoustics Company of Staines has introduced a new generation of acoustic plenum chambers.

Known as the Big H range these plenums feature a one-piece H-joiner which adds a third transverse leg to each connecting joint of the self-locking panels forming each chamber. Prime function of Big H is to provide a secure housing for the *fan assembly while preventing* noise break out into the general plant room area. Further information on 81 56251.

For windows

BERGER ELASTOMERS is complementing its Rubber Calk 5000 with a single component *polyaulphide sealant* — Rubber Calk 5001. Claiming superior adhesion without the use of a primer to a wide range of surfaces including PVC the company says it will be of particular interest to plastic window fabricators and installers. More on 0632 25151.

For patients

PATIENTS confined to bed can now be helped by electric actuator power units designed by Portescap, Elgar Road, Reading (0734 86485). The units *enable a hospital bed to be* raised or lowered at the touch of a button. The actuator consists of a slow running induction motor driving a threaded shaft. This is engaged by a nut to produce linear movement.

Drum handling

DRUM handling equipment providing product discharge at controlled flow rates is available for the food, chemical, pharmaceutical and dyestuffs industries. Known as the Liftips, the *system is claimed to eliminate* cross contamination. More on 0625 28733.

Taper bush

A TAPER bush fitting from Flender of Bradford has broadened *the company's range of* Bipex flexible couplings. The company says that the taper bush is easily tightened by an Allen screw resulting in a grip equivalent to a shrink fit. More on Bradford 663401.

Plaque heaters

BULLFINCH (Gas Equipment) of Tyseley, Birmingham, has launched a range of free standing portable plaque heaters. Heat inputs available in two models for use with propane gas are 3.66kw (12,500 BThU/hr and 2.78kw (9,500 BThU/hr). A model to operate off butane gas with a heat input of 2.5kw is also available. (More on 021-706 *6301)*.

Pinhole lens

A MINIATURE pinhole lens designed for surveillance systems has been developed by Optical and Textile of Barnet. The company claims that the new lens fits into less than half the space needed for a normal pinhole lens. It is 35mm long *with a focal length of 9mm and* at a fixed f3.5 gives a corrected oriented image on a 2 to 3 ins format camera. More on 01-441 2199.

Tank battle compromise

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN is to equip four armoured regiments with the new Challenger main battle tank (MBT), as a partial replacement for Chieftain, the MBT Britain first introduced to the Army in 1964. This was announced by Mr John *Nott, Defence Secretary,* in his review of defence spending last week.

Challenger, costing an *estimated £1.5m apiece, will be a* compromise on costs between the ageing Chieftain and the more ambitious and costly *MBT 80, which would not* have been ready before the 1990s and so was abandoned last summer.

In each case the designer agency was the Military Vehicle Experimental Establishment near Chobham, Surrey, one of the Ministry of Defence's dozen major R and D centres. It has designed every British MBT since 1942.

Challenger will be one of the *first Army vehicles to benefit* from the large investment MVEE—known locally as "*the tank factory*"—is making in computer-aided design.

The establishment is aiming to control the design process at every stage from conception to manufacture in the Royal *Ordnance factories. The pro*ject leaders see the computer becoming "an increasingly natural aid to the exercise of the creative intelligence of the designer in all relevant aspects of the design process."

Turret

A battle tank is an inherently awkward shape to design or to modify if, say, experience shows that it needs a few more inches of armour or a bigger engine.

No part is more awkward than the gun turret—for which the rest serves in essence merely as a mobile platform. Should battle suggest that this turret *needs a few more inches of* armour here or there, to protect it from the latest anti-tank weapon, the designer soon finds himself deep in a massive re-design as he tries to accommodate the extra weight.

For example, should he unbalance the turret, he may well find that he no longer has enough power to keep it from swinging heavy side *down when the tank itself* is tilted. Similarly, any change in the power rating may have a "knock-on effect" in trying to accommodate such cumbersome components as the transmission and engine.

These three-dimensional modifications are major sources of delay *in his establishment's* design work today, admits Mr John Ellis, director.

So MVEE is developing a design control system capable of rapidly composing shapes of considerable complexity in three dimensions. What is *more the establishment wants* to be able to use the system to forecast performance.

For example, it wants to be able to analyse a design's vulnerability under attack from various kinds of projectile, so that it will learn where to add extra protection for the crew.

Sandwiching

Just how complex an operation this is in a tank such as Challenger becomes clearer when one considers the armour. Chieftain and its forerunners used *homogeneous* steel armour. But Challenger will be the first British MBT to use Chobham armour, a revolutionary concept in tank design, invented by MVEE in the 1960s.

Chobham armour, design and manufacturing details of which are still closely guarded, is a family of composite armours based on the idea of sandwiching between *two layers of metal a* "*filling*" of another material such as plaques of a ceramic or a tough plastic. For Challenger, the "filling" is sandwiched between two layers of steel.

The effect of the filling is to disperse laterally the energy of what, in homogeneous armour, would be a highly directional explosion. It was MVEE's answer to the hollow *charge* type of explosive, which once threatened to put the MBT out of business.

It is claimed that, for a given weight, Chobham armour can be up to as much as three times as effective as homogeneous armour. West Germany introduced such an armour in its Leopard 2 tank in 1979. Britain is late in exploiting its own invention in service because no less than *three* MBT ventures by MVEE were abandoned, by the Government during the 1970s.

Challenger itself shows a striking resemblance to Chieftain, from which it is derived.

But one notable difference is in gun turret design. Where Chieftain's turret is cast, the angular turret of Challenger is fabricated from massive arrays of Chobham armour. It is composed of many plates of armour, each of non-geometrical shape.

Taking the example of a simpler turret, that of the Scorpion armoured fighting vehicle, another MVEE design composed of 15 plates of *armour.* At MVEE *they say* that they can compute in hours, with their latest electronic design system, what previously would have taken a couple of weeks. The plotter draws faster than an artist can make a rough sketch.

Using their own methods of vulnerability analysis, MVEE can also predict how much damage would be done to the turret by a given number of *hits. If the armour is not* good enough, the computer will quickly re-arrange it. The net effect, says Mr Ellis, is to integrate much more closely the ideas of the engineer, the Army officer and the scientist in the design of a new tank.

Are the crab-like contours of a modern MBT, little changed after decades of development, the perfect way of transporting a gun into battle? I asked the director. The establishment goes round this exercise at regular intervals, every few years, exploring radically different future tank concepts.

So far each time MVEE had returned to the same basic contours. This did not, necessarily hold, however, for a country with a different perception of the main threat, said Mr Ellis.

What computer-aided engineering promised to do was to greatly speed the evaluation *of future concepts.* No commercial system was powerful enough to handle the complex shapes of MBTs quickly enough for MVEE, however. It could be another five years before these designers are satisfied with their electronic aids.

Nor is the testing by vulnerability analysis of the tank's performance over a range of environmental conditions *within reach of the computer.*

For this reason the MVEE is completing a new "torture chamber, unique in the Western world," in which attempts will be made to break Challenger by exposure to every climatic and *other* condition to which it might *be exposed* in battle.

It will simulate heat, cold, high humidity, driving rain, snow and sleet. It will even simulate altitudes as high as 14,000 feet, the height of passes an MBT is expected to traverse in some parts of the world.

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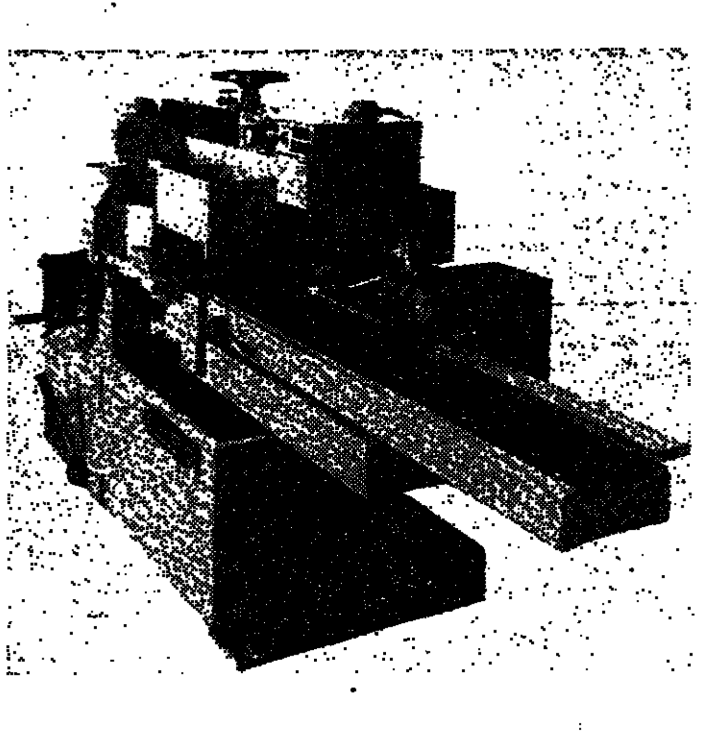
Nitrogen generation plant

BOC Techsep of Edmonton, London has introduced a range of nitrogen generation plant for offshore and marine applica*tions. The range generates* nitrogen from a compressed ambient air supply using the pressure swing adsorption method.

A carbon molecular sieve developed in West Germany has been incorporated which, it is claimed adsorbs oxygen faster, and, in preference, to nitrogen.

The modular skid mounted TechSep plant offers flexibility with the maximum content of the inert gas supply preselected and guaranteed between three and 0.5 per cent.

Units with product flow rates from 9Nm/hr at 99.5 per cent purity to 2731 m³/hr at 97 per cent purity are available. More on 01 803 1300.



Four-sided planer from France

AN AUTOMATIC four-sided straightening planer, the latest from the Guillet range of Auxerre, France, has been introduced in England for batch production of windows and door frames.

Guillet, a French company dating from 1847, says that many of its first generation *machines installed in the UK* are still in use, but fast set up, magnified rules, self-locking adjustment, a long infeed table and throughfeed consisting of three serrated infeed rollers and rubber covered outfeed rollers makes this latest machine a true planer

The machine is marketed this side of the Channel by Calder Woodworking Machinery, Sowerby Bridge, West Yorkshire

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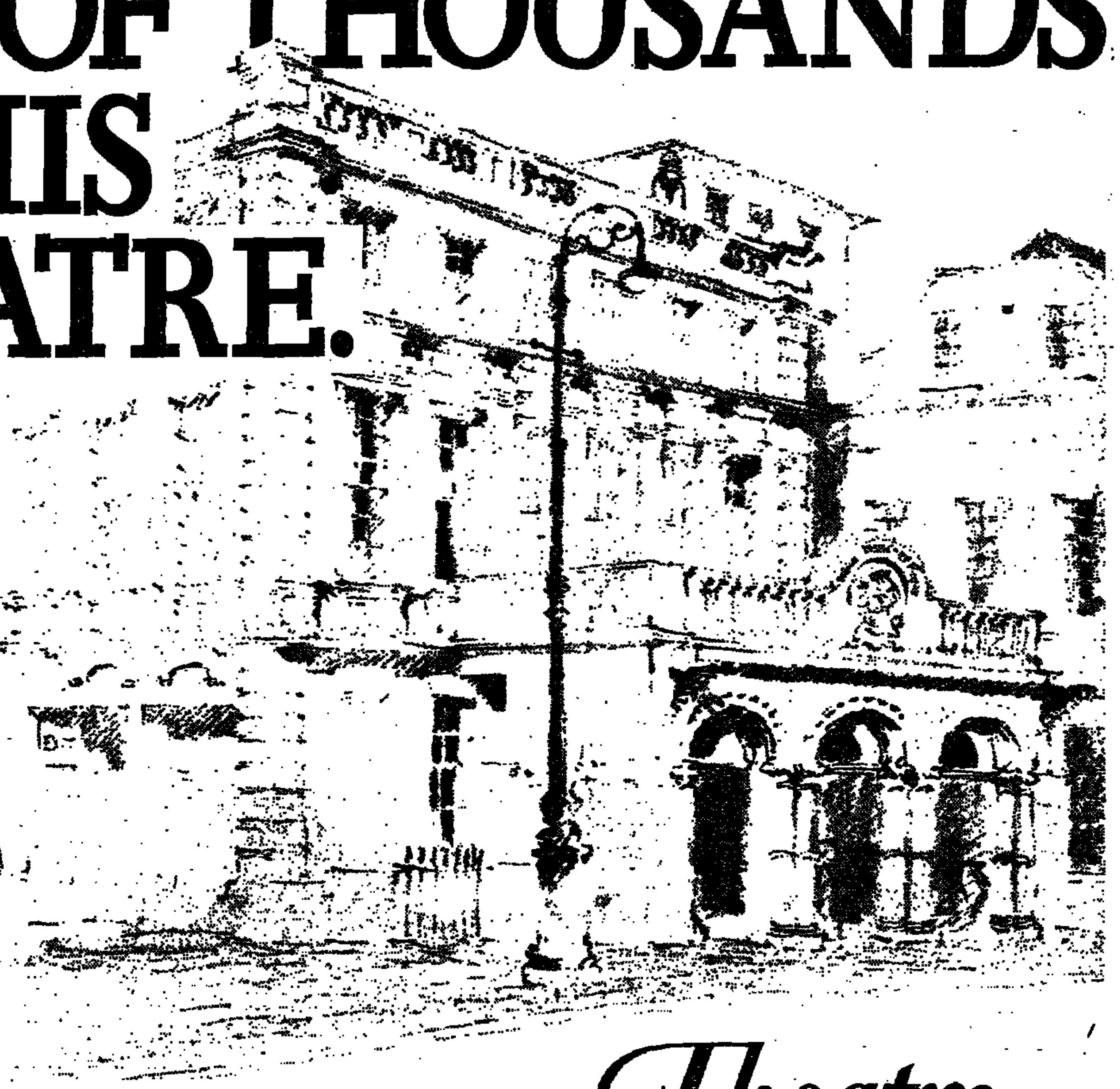


THE STORY SO FAR.

There's been a Theatre Royal in Bath since 1768. So great was the popularity of the city in the late 18th Century however, that the original building couldn't cope with the big crowds demanding entertainment. So in 1805, nine days before the Battle of Trafalgar, a new Theatre was opened in Beaufort Square. Reconstructed after a disastrous fire in 1862, it's been in continuous use ever since.

Today, 120 years later, the demand for entertainment is as great as ever, but technical developments in theatre have left the Theatre Royal hopelessly outdated. Everyone agrees that it's now vital to rebuild the backstage facilities and refurbish the front-of-house areas. The National Theatre has agreed to make a main regional base in Bath for its middle-scale touring productions as soon as renovations are carried out.

The costs of these works were initially estimated at £2 million. But more detailed costings recently showed a staggering increase to £3½ million. The Charitable Trust which runs the Theatre recognised that it was unrealistic to expect to raise such a sum for a project of this nature.

A CHANGE OF DIRECTION.

A fresh approach was called for and thanks to the help of Laurie Marsh with his wide experience of theatre and cinema restoration, a realistic solution has been found.

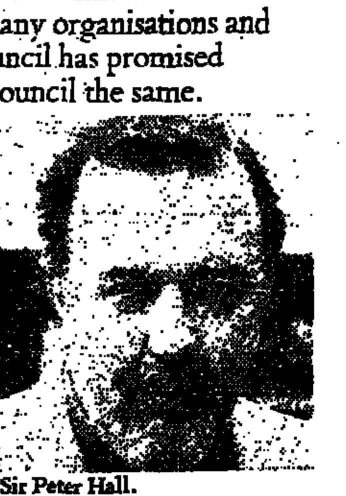
We've formed Theatre Royal Bath (Construction) Ltd. to manage and carry out the renovations ourselves using the Marsh system. This non-profit making company will operate on a direct sub-contract basis. Sub-contractors' prices will not be subject to overheads or on-costs; nor will materials and supplies. The company's unpaid Directors are Laurie Marsh, Jeremy Fry, also Chairman of the Theatre Trust, and Christopher Shallis of Stonechester Ltd., the Bath-based property company.

And so a highly professional organisation has been created which will give far better value-for-money. The restored Theatre will have all the essential facilities it so desperately needs and all for under £2 million – less than budgeted 12 months ago.

HOW YOU CAN JOIN OUR TEAM.

We have already received financial assistance and offers of help from many organisations and individuals. The Arts Council has promised £400,000 and Bath City Council the same.

Sir John Gielgud.
"It's vital that this important theatre gets the money it needs and reopens as soon as possible. Please help."



Sir Peter Hall.
"The National Theatre and I look forward to a close, happy and successful association with the Theatre Royal Bath."

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Full financial and other information from the Receiver, P. Flesher, Thornton Baker, chartered accountants, Eldon Lodge, Eldon Place, Bradford, W. Yorkshire BD1 3AP. 0274 34341.

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APPOINTMENTS

Simon Engineering Group changes

Mr J. J. Hartley has been appointed chairman of SIMON-TR, holding company of the merchanting and storage group. He will remain chairman of the manufacturing group. Mr G. H. Richardson becomes head of Simon Engineering's finance division while retaining responsibility for the corporate development function, with the title of director for finance and planning. Mr M. A. Hartley will relieve Mr J. J. Hartley of some of his current duties by taking over responsibility for a number of companies in the manufacturing group. Mr T. P. Whitehead has been appointed managing director of Simon-Hartley, Stoke-on-Trent, in place of Mr M. A. Hartley.

★

Mr Philip Tedder is to return to DELOITTE HASKIN AND SELLS tomorrow as a partner. For the past two years he has been seconded to the Takeover Panel.

★

Mr John Marshall Clay has resigned as executive chairman of RICHARD CLAY AND COMPANY. He is succeeded by Mr Charles G. Birchall who has been a director since 1965, while Mr J. Dundas Hamilton becomes non-executive vice chairman. Mr Roderick Boyd and Mr Simon Clay become joint managing directors, responsible for Group manufacturing and sales/marketing respectively.

★

Mr John Thomson, deputy chief executive of Brooke Bond Liebeg, has been appointed a non-executive director of SCOTTISH AND NEWCASTLE BREWERIES. He is also a non-executive director of London and Manchester Assurance Company and of F. W. Woolworth and Company.

★

Mr Brian R. Jervis has been appointed a director of JOHN GOVETT AND COMPANY from July 1.

★

Dr A. J. S. Folwell, formerly director of Inco European Research and Development Centre, Birmingham, has joined DANIEL DONCASTER AND SONS as director and general manager of Hingley Rings. Doncaster produces metal components and forged and machined products for gas turbine and general engineering applications. It is wholly-owned by Inco.

★

Mr J. A. Eddison has been elected chairman of THE SCOTTISH LIFE ASSURANCE COMPANY in succession to Mr R. K. Watson. Mr Watson who has been a director since 1968 and chairman since 1977 will continue to serve as a director. Mr Eddison, who has also been a director since 1968, is senior partner of Blyth and Blyth, consulting civil engineers.

★

Mr Maurice C. Elliott has been elected chairman of JAE GROUP HOLDINGS. He succeeds Mr Arnold J. A. Backwith who remains a director.

★

FLYMO, Newton Aycliffe, has appointed Mr Arthur Rosenblatt as director of communications for its global operations.

★

DENNISON MANUFACTURING COMPANY, printing, packaging and stationery group, whose headquarters are at Framingham, Massachusetts, has made the following board appointments at the Watford-based UK subsidiary: Mr R. J. Collingridge, works director, and Mr R. T. Spiking, financial director.

★

Mr A. Cade, has been appointed manager and secretary of the YORKSHIRE-GENERAL LIFE ASSURANCE COMPANY, a subsidiary of General Accident, from July 1.

★

Mr J. D. B. Wood has joined the EDINBURGH INVESTMENT TRUST as an assistant manager having been an investment director of James Finlay Corporation.

★

Mr John McNab, Port of London Authority executive director (manpower) has been re-elected chairman of the LONDON PORT EMPLOYERS' ASSOCIATION. Mr Derek Allison, chairman of the London Wharfingers' Association, has ben re-elected vice-chairman.

★

Mr Rodney D. Harnett has been made a director of SPEEDWELL GEAR CASE COMPANY and has been appointed chairman of the board. He has been acting as an advisor to the company since April 1981. Mr John Whitehead, who has been acting chairman since the retirement of Mr Derek Mattey on April 30, becomes deputy chairman.

★

Mr Mark Burbridge has been appointed director responsible for the development of a new company, FENCHURCH INTERNATIONAL REINSURANCE BROKERS a subsidiary of Fenchurch Insurance Holdings. Mr Michael Bowell has also joined the new company as a director.

★

Mr Derek Rogers has been appointed to the newly created post of marketing director, NEWS GROUP NEWSPAPERS. He was marketing director of NOW! and before that circulation sales directors of Mirror Group Newspapers.

★

N. V. AMEV, a Dutch insurance group, has made the following board changes: Mr F. Roos has succeeded Mr C. C. Nengerman as chairman of the board of management. Mr Nengerman, who had been chairman since 1972, has retired.

Mr W. J. Nanninga has joined the board of management and succeeds Mr Nengerman as chairman of the UK holding company. Mr F. Roos has resigned as a director of AMEV LIMITED, and Mr P. J. F. van der Does de Willebois has joined the board. Mr Nanninga succeeds Mr Roos as chairman of AMEV Life Assurance, one of the two UK operating companies. Mr Nanninga will also become chairman of Gresham Life Assurance Society, the other UK company, when the present chairman, Mr L. Ginsburg, retires from the board at the end of this month. Mr F. Roos has resigned from the board.

★

Mr Gerald F. Craig has been named president of GULF ATLANTIC DISTRIBUTION SERVICES, a division of Anderson Clayton and Co., Houston, Texas, from July 1. Mr Hildreth S. Taylor, who has been Gulf Atlantic's president since 1978, will continue as an advisor and consultant to Mr Craig until January 1, 1983.

★

Mr Jack Wicker, managing director of MATTHEWS AND GOODMAN S.A., has been re-elected president of the BRITISH CHAMBER OF COMMERCE, FRANCE, in Paris. Mr David Goodchild, resident partner of CLIFFORD TURNER, and Mr John Tuby, chairman and managing director of ISO SERVICES S.A., have been re-elected vice-presidents. Mr Roland King, chairman and managing director of BLANCHARD CHAUVEAU & ASSOCIATES, honorary treasurer, and Mr Nicholas Maxwell-Lawford, resident director of BARCLAYS BANK S.A., honorary secretary. The following new appointments have been made to the board: Mr Peter d'Adhemar de Labaume, chief manager for France of LLOYDS BANK INTERNATIONAL (FRANCE); Mr Melville Guest, chairman and managing director of SOCIETE FRANCAISE DES INDUSTRIES LUCAS and Mr John Healey, general representative for France of BRITISH RAILWAYS.

OVERSEAS

Mr Richard S. Bodman, president and chief executive officer of COMSAT General Corporation, has been elected a director of EMHART CORPORATION, the U.S.-based multinational manufacturing company.

★

Mr David W. Grainger has been elected a director of THE NORTHERN TRUST COMPANY and NORTHERN TRUST CORPORATION, CHICAGO. Mr. Grainger is chairman of the board and president of W. W. Grainger, Inc.

★

Mr James C. Ellis, president of Di Giorgio Development Corporation, has been elected a vice president of DI GIORGIO CORPORATION.

★

Dr. Rolf Schweizer has been appointed to the board of management of SANDOZ AG, Basle, from September 1. Dr Alexandre F. Jetzer becomes a deputy member of the executive committee.

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Bristol & West Invests.	13 %	Ryl. Bk. Canada (Ldn.)	12 %
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■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9½%. Short term £8,000/12 months 11.85%.
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‡ Call deposits £1,000 and under [illegible].
§ Demand deposits 8½%.
‖ 21-day deposits over £1,000 10½%.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A gamble in the sky

Richard Cowper examines the debt-laden investment strategy of Indonesia's national airline

IN A COUNTRY where appearances can be so important, the first thing many sizable Indonesian state enterprises do is build a large and prestigious head office. That Garuda International Airways—the national carrier of Indonesia—still operates from shabby pre-war Dutch-built offices in the commercial quarter of the city says a lot about Wiweko Supoeno, who has run the company virtually single-handed since he took over in 1968.

Two years ago, when one of Garuda's directors suggested that it was time to start thinking about moving to new premises, Wiweko dismissed the idea with a wave of his hand saying "our business is buying aeroplanes not real estate."

Wiweko's relentless push for expansion in the 1970s has turned an ailing company into one of the largest domestic airlines in Asia. The key to his success—at least in terms of size—has been twofold: first, he concentrated on tapping and developing the rambling Indonesian archipelago's enormous domestic base and then he ploughed the profits back into the company.

Until 1978, the company was still making reasonable overall profits.

Today, Garuda's position is no longer so comfortable. Rising fuel costs and worldwide recession have left few international airlines unscathed and Garuda, which runs the second largest commercial fleet in Asia, is no exception. In 1977 the company's net profits started falling from a peak $26.7m, and by last year they had fallen to only $347,000, its worst result in more than a decade.

But Wiweko, despite the hard times which have forced many of his competitors to take belt-tightening measures, has pressed ahead with a major buying spree which will roughly double his fleet's seat capacity in the space of just three years.

By the end of 1982, if everything goes according to schedule, Garuda will have 25 new aircraft, 17 of them wide-bodied jets. Last year Garuda took delivery of four Jumbo jets, two DC 10s and five Fokker 28s; over the next two years it will get two more Jumbos, nine Airbus 300s and three more Fokker 28s.

Expand its base

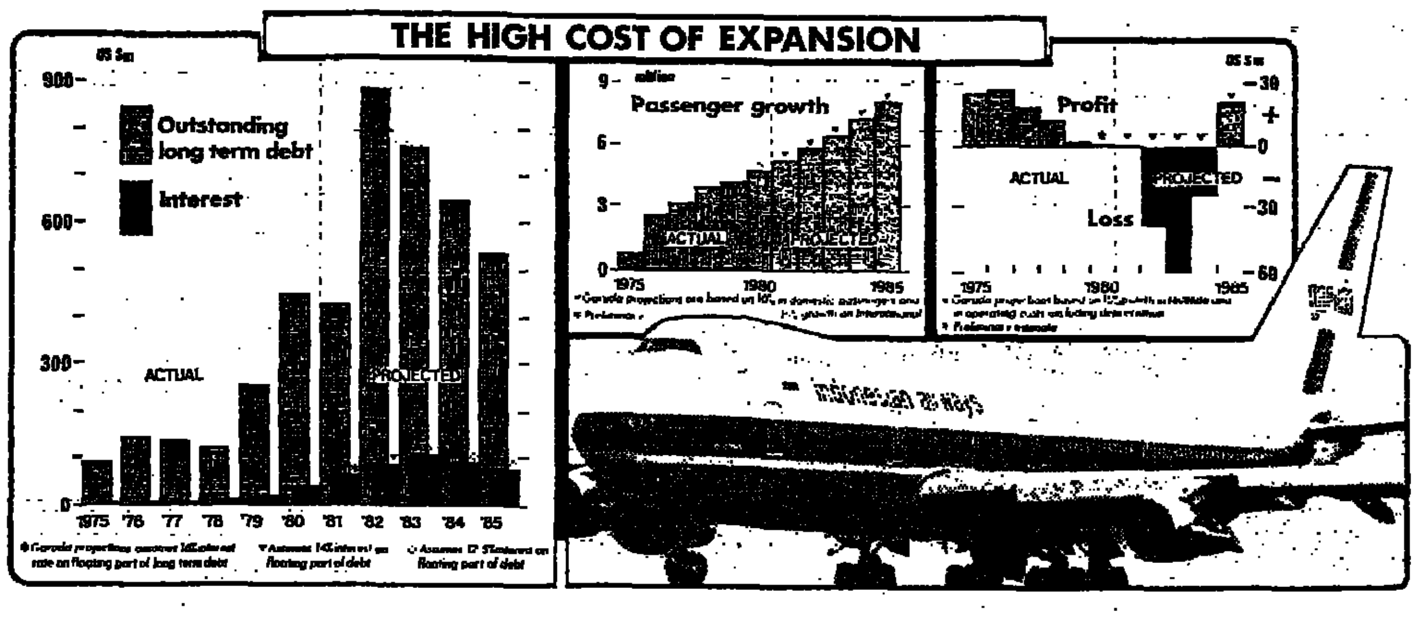
This will push the company's fleet to 81 aircraft, 21 of them wide-bodied, at a cost of well over $1bn.

In 1980 Garuda carried around 4.7m passengers. By 1985 it plans to be carrying more than 8m, a feat that will be remarkable if it can be achieved in such troubled times.

Garuda's critics argue that the company is flying too high, too fast and could became a serious financial embarrassment to the Government. They point out that the government has already stepped in by agreeing to service part of the company's soaring debt.

In particular they question Garuda's attempts to expand its international base at a time when the company's international load factors have been running at around 40 per cent, well below its stated 50 per cent break-even point.

Some political problems may also have to be overcome if the expansion is to be achieved: a Dutch-Indonesian dispute broke out at government level earlier this month over Garuda's plans for more flights to Amsterdam.


THE HIGH COST OF EXPANSION

Garuda's management remains outwardly unruffled. In private it admits that life will not be easy over the next three or four years. Wiweko says he is buying "tomorrow's aircraft at today's prices" in preparation for the time when passenger growth starts climbing rapidly again. In the meantime, he says, "I'll sweat it out."

Wiweko expects Garuda almost to break even again this year, but to make a net $38m loss in 1982, rising to a deficit of $59m in 1983.

"Two years ago, I knew we would be in for a tough time. But still, we are not in the business of making a profit, but building an airline," he says.

"On existing premises, (that is no further new aeroplanes) with 15 per cent revenue growth, interest at 12.5 per cent and no explosion in costs, we expect to break even by 1985," says Wiweko.

Whatever the outcome—and this depends on many key variables—it is clear that Garuda has come a long way in a comparatively short time—at least in terms of size. When Wiweko took over the company in 1968 he inherited a motley collection of 35 aircraft (all but four of them propeller-driven) and the airline, which was then carrying around 400,000 passengers, was on the brink of bankruptcy. Ten years later, Garuda was operating an all-jet fleet of 57 aircraft, carrying some 3.9m passengers and making a profit of $12m.

The sheer size of the country and the need for a fast and reliable form of transport for government officials and businessmen had provided an ideal base for Garuda's growth. With a population of more than 147m people, Indonesia stretches across some 3,000 miles between the Indian and Pacific Oceans. Consisting of more than 13,000 islands and some 27 provincial capitals, it is the world's largest archipelago. To travel from north Sumatra in the west to Irian Jaya in the east can take anything up to three weeks by sea. By plane the journey can be done in less than a day.

The airline has also been helped by a virtual monopoly on domestic flights which enables the company to fly to some 33 domestic destinations. Garuda has also been helped by the Indonesian Government's policy of providing massive subsidies on domestic oil while it charges fares at international rates.

Wiweko says he is budgeting for around 10 per cent growth in domestic passenger traffic over the next three or four years. This, he says, could go higher, given the success of the Government's mammoth trans-migration programme to move 2.5m people from over-crowded Java to the outer islands.

It is not the domestic expansion which is raising eyebrows, but Garuda's attempt to put itself more firmly on to the international map. In 1968, the company's revenue was split 70 per cent domestic and 30 per cent international. Wiweko's ultimate aim is to make it 60 per cent international and 40 per cent domestic.

In 1979 Garuda carried 790,000 international passengers (19 per cent of total passengers carried). The airline's aim is almost to treble this to 2.17m by 1985 when international passengers are expected to account for some 37 per cent of total passenger traffic.

Last year, Garuda opened up new services to London, Penang and Tokyo, put on extra flights to Amsterdam and expanded capacity on existing runs by replacing DC10s with Jumbos, together adding an estimated 300,000 new seats a year to its international network.

Paradise island

Garuda's international expansion, planned several years ago, could hardly have come at a less auspicious time. Rising fuel and operations costs coupled with cut-throat competition on international routes makes the current outlook much less rosy than in 1977.

Against this, two of the new Jumbo purchases would accommodate what Wiweko hopes will be a 15 per cent growth in Garuda's international passenger traffic over the next five years, though he admits that load factors may not look good in the early years. With a booming economy and a growing tourist industry, largely based on the attractions of the island paradise of Bali, the aim is to take a large slice of international traffic coming to and leaving Indonesia. "We would like to take 50 per cent of passengers coming to Indonesia," Wiweko says.

To achieve such a rate of growth Garuda has to fight it out with other passenger-hungry airlines. If it is to succeed it will have to overcome a major handicap, which is its poor international image. Wiweko says he has already started to do something about the problem by spending more money on food and re-training cabin staff, but in principle he sticks to his "no frills" approach. "The old days of free champagne and cigarettes have gone," he says.

Poor international load factors and the company's mounting debt resulting from the purchase of the new aircraft will undoubtedly put considerable strain on its balance sheet. Borrowings are expected to rise from $254m in 1979 to $885m by 1982 but the Government has agreed to inject $300m into the company over the next three years, most of which will be used to service debt. Interest charges last year were $40m and this is set to increase to $103m by 1983.

Wiweko admits that "things will be very tight over the next few years. If I am squeezed on my cash flow this could be very serious."

He has an excellent track record, but never in such a short time has the company bought so many aircraft, incurred such a debt or had such ambitious plans. However, as one optimistic banker puts it: "In three years' time when other Asian airlines are queueing up for new planes, unable to take full advantage of passenger growth, Garuda may be a name to conjure with."

Safeguarding precious metals

ANXIETY about the diminishing natural resources in the world has been around ever since Malthus made gloomy predictions about impending doom at the beginning of the 18th century. Despite the failure of these predictions to come true, many forecasters still claim that the insatiable demand from a growing population will exhaust the world's resources, bringing starvation and misery.

More recently the success of the oil producing countries cartel (OPEC) in establishing control over world prices and supplies has underlined the vulnerability of the industrialised world and triggered off fears that similar cartels might be imposed for other vital raw materials.

The fact that the main reserves of many strategic materials are either in the Communist block or in "vulnerable" areas such as southern Africa, has already persuaded many governments that something must be done.

Private investors, fired by greed and patriotism, have jumped on the bandwagon. Strategic metals in particular have attracted the attention of powerful speculators who favour raw materials as a means of safeguarding their funds against inflation and a declining dollar.

It is the latest investment craze to spread across the Atlantic. There is the prospect of huge capital profits, especially if prices can be influenced by large speculative funds coming into "thinly" traded specialised markets. At the same time private investor stockpiling of strategic metals denies them falling into the hands of the Russians, so the argument runs.

Bohdan O. Szuprowicz's book is, therefore, very timely. As its snappy title suggests the book is an attempt to cover the subject exhaustively. Every possible angle is covered from politics (or geo-politics as the author prefers to say): to economics: prospects for individual materials: and even how individual governments and companies can compile their own "vulnerability" index. The author, who evidently takes a long-term view, is president of an organisation called 21st Century Research.

Unfortunately some of that research seems a bit hazy, not surprisingly in view of the wide variety of subjects covered (Burma, for example, is not a member of the International Tin Agreement, among many other inaccuracies).

But the real problem with the book is that it is written with a slant throughout suggesting that the author's views are somewhat right of Genghis Khan. These strong political views colour the whole concept of the book and result in some frightening conclusions.

Nevertheless once it is appreciated that the comment is hopelessly biased, the book itself provides a wealth of information about a subject which the flyleaf modestly says is "helping to change the economic and political landscape of the world."

Less wide-ranging, but more practical, is the book by Gordon McLendon. The title is preceded by the words "Before your dreams end and dollars die you can . . ." Once again the approach is very biased by the author's strong views. Described as a multi-talented genius (he is a well-known broadcaster and speaker) McLendon is said to have made millions in strategic metals and is now apparently prepared to show others how to do the same (for a reason not made clear). Once again a book packed with information—but some of it of distinctly dubious quality. Whether or not all his readers will get really rich as promised, remains to be seen, but the book has been a big success in the U.S., so the multi-talented genius can add best-selling author to his list of achievements.

How to Avoid Strategic Materials Shortages, by Bohdan O. Szuprowicz. John Wiley and Sons. £12.75.

Get Really Rich in the Coming Super Metals Boom, by Gordon McLendon. Pocket Books, New York. $4.95 paperback, $12.95 hardback.

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The Chain of Command. D. S. Brown in Leadership and Organisation Development Journal (UK), Vol 1 No 4; p. 23 (4½ pages)

Argues that organisational systems that work only through formal channels meet with limited success. Emphasises that changes in managerial thinking are necessary if upwards/downwards information flow is to be successful; stresses that the chain of command is not sacrosanct.

Pricing Strategies in Industrial Markets. M. V. Laric in European Journal of Marketing (UK), Vol 14 No 5/6; p. 303 (19 pages, tables, bibliog.)

Reviews literature on pricing theory, and points to evidence that price has now become the most important element in the marketing mix; offers a conceptual framework for classifying industrial buying decisions and for selecting the pricing strategy for each type of decision.

Selecting R & D Projects. J. E. Ramsey in Long Range Planning (UK), Feb 1981; p 83 (9½ pages, charts, tables)

Offers a decision framework for handling R & D projects. Focuses on three decision points; creating a pool of potentially successful ideas, selecting product ideas out of that pool, and choosing projects for pre-production development. Identifies information needed at each stage, and describes evaluation techniques.

Managing Foreign Exchange. R. Ferchat in CA Magazine (Canada), Jan. 1981; p. 26 (3½ pages, chart, table)

Examines the impact of exchange rates on international pricing — particularly on the pricing of long-term contracts; discusses ways of measuring and controlling foreign exchange exposure, and demonstrates how the measurement of exposure differs according to different *accounting and economic concepts.*

Does it Matter if His Wife Works? M. Mooney in Personnel Administrator (U.S.), Jan. *1981; p. 43 (6½ pages, charts,* tables)

Discusses how the job performance of married men can be affected by their wives' employment, and suggests that the increase in two-earner households will intensify a trend towards a greater demand for leisure time — if this is not provided, lower productivity and higher turnover are likely to result. Looks at benefits that more flexible work scheduling can bring to employers.

NOTICE OF REDEMPTION

To the Holders of

ENTE NAZIONALE IDROCARBURI

E.N.I.

(National Hydrocarbons Authority)

6½% Sinking Fund Debentures due February 1, 1982

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on August 1, 1981, at the principal amount thereof $1,470,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. $1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

15 18 28 36 40 41 43 45 59 62 67 73 74 84 85

Also Debentures of Prefix "M" Bearing the Following Serial Numbers:

4160 7760 9460 9560 10160 11460 12160 14460 14760 15560 17460 18560 20160

On August 1, 1981, there will become and be due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment therein of public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main offices of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Algemene Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourgeoise in Luxembourg-Ville.

Debentures surrendered for redemption should have attached all unmatured coupons appurtenant thereto. Coupons due August 1, 1981, should be detached and collected in the usual manner.

From and after August 1, 1981, interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI

By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, *Fiscal Agent*

June 30, 1981

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

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Wells Fargo Bank N.A.

June 5th, 1981.

Trade Development Financial Services N.V.
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US$40,000,000 Guaranteed Floating Rate Notes due 1986

In accordance with Provision 5 (a) of the Listing Agreement signed by the Company in August 1979, notice is hereby given to Noteholders and Couponholders that the Annual Report 1980 and the Accounts of the Company and of its Parent Company, Trade Development Bank Holding S.A., are available for inspection at the offices of the Principal Paying Agent, Citibank, N.A., 111 Wall Street, New York, and of the six Paying Agents.

Amount of the Notes at present outstanding: US$35,000,000.

June 19, 1981

By: Trade Development Financial Services N.V.

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June, 1981.

LOMBARD

Driving the car over the cliff

BY ANATOLE KALETSKY

IN THE OLD DAYS of stop-go demand management, which are unlamented by members of Mrs Thatcher's Cabinet, but, I suspect, much mourned by 2.68m other people (seasonally adjusted) standing in Britain's dole queues, there was a standard metaphor used to deride all Chancellors. The Opposition always accused the Chancellor of alternately slamming the economic brakes on and stepping on the accelerator with such frequency that nobody could tell whether he was coming or going. Until recently, the normal riposte to these barbs—that a touch on the brakes and a touch on the accelerator were equally necessary in any sane attempt at driving — seemed good enough. Then Mrs Thatcher gave Sir Geoffrey Howe his driving licence.

Progress

Sir Geoffrey believes that the vehicle he is in charge of is not a motor car, but a dodgem. He can do nothing to affect its rate of progress, since this is governed by unspecified forces—perhaps an invisible hand operating a hidden lever somewhere on the "supply side" of the economy.

In dodgems, brakes are unnecessary because the car always hits a padded wall sooner or later. But when a real car speeds towards a real precipice and the driver informs his passengers that he does not believe in braking, they had better jump out or tighten their seat belts. It is no consolation when, after plunging over the cliff, the driver crawls out of the wreckage and repeats cheerily: "There was no reason for braking. You wanted the car to stop. And so it did—at the bottom of the cliff, within a few hundred feet of where you asked me to stop it."

Exactly this sort of statement is now being made by industrialists sympathetic to government economic policy in the wake of sterling's collapse against the dollar. Industry whined for two years about the strength of the pound and demanded government action to curb it. Now, it is said, industry has got what it wanted. There must be no more complaints from the industrial lobby.

In the same vein, the 1981 Budget with its sharp tax increases, was presented as the conclusive response to all the critics who accused Sir Geoffrey of reckless generosity in his 1979 Budget. The idea has got about that anyone who thought it was dangerous to lower taxes in 1979 must logically have approved the 1981 Budget.

In fact, however, both lower interest rates which may have been a consequence of the 1981 Budget judgment and the more recent fall in sterling came far too late to avert the catastrophic effects of earlier policies. Now that we are at the bottom of the cliff, we cannot get back on the road by simply reversing the sequence of events that got us into trouble.

The Chancellor may conceivably succeed in exhorting the nation to accept extremely low pay settlements; he may smile complacently as sterling falls; he may even manage to hit his public spending, borrowing and money supply targets now that he has raised taxes well above the levels which he inherited. That combination of events might have provided a marvellous background for an economy working near full capacity, such as the one Sir Geoffrey inherited in 1979. But it will not pull the economy as it is today out of deep recession.

The idea that past errors are automatically undone as soon as economic indicators return to their previous levels is derived directly from the over-simplified "long term" view of the economy beloved by market economists, in which government actions—and particularly the timing of government actions—have no permanent effect on the level of output.

However, while Britain dreams about the long term, the rest of the world progresses. By 1984 the Chancellor will be lucky if he can present the electorate with the same inflation rate, the same value of sterling, the same interest rates, the same tax burden and, most importantly, the same standard of living, as the ones he took over five years earlier. But there will be vital differences—2m extra jobless, whole industries bankrupted, public services decimated and £50bn of North Sea revenues, which might have made the country richer, wasted on unemployment benefits.

Some successful whites from California

WINE

BY EDMUND PENNING-ROWSELL

MOST keen wine drinkers prefer red to white; and therefore Californian amateurs would probably place the Cabernet-Sauvignons at the head of the list of their state's wines. Yet there is a case for *suggesting that, overall, their* greatest successes to date are their whites, headed by the Chardonnays and made from the same grape as white burgundies.

Certainly, Chardonnay is the most popular. Ten years ago there were only 3,000 acres planted: today there are more than 16,000. Though it closely resembles white burgundy, it is generally more powerful, more alcoholic; in style, perhaps *resembling a big Corton Charlemagne* more than any other Côte d'Or white. It is, however, inclined to be over-oaked (ie for a good time in new oak barrels) about which there is considerable controversy in the Napa and Sonoma Valleys, where nearly every winery makes a superior-quality Chardonnay.

American oak is said to impart too aggressive a flavour to the wine, but Robert Mondavi, one of California's most ardent experimenters, maintains *that if prepared in the French* way, axed and air-dried and not, as normally, sawn and kiln-dried, American oak is just as good—and much cheaper.

Nevertheless, on the whole, oak casks from the Limousin or *Nevers are still preferred. Most* are bottled in the summer after the vintage, but some, like the excellent Mayacamas, are held over until the following early spring. These big wines need time in bottle to develop, but probably few have it. Yet *I would recommend Chardonnay* as a "starter" for those unfamiliar with California wines.

Next to that, in my view, comes the Sauvignon although the Chenin Blanc is much more widely planted.

Most of this is inland in the Central Valley, and the wine is amiable without being very distinguished. Yet when produced in the cooler districts near the sea, it is much crisper, indeed more like a French Sauvignon. A good example of this was the '79 from Simi in Sonoma, with strong acidity, producing a crisp wine. The Sauvignon is often sold as Fumé Blanc, reversing the title of the Loire wine made from this grape. Mondavi sells a well-known one, and it is available in Britain. The crispness of these Sauvignons make them very suitable as aperitifs or with fish.

A white wine that has greatly improved in recent years is made from the Rhine Riesling, there known as the White or Johannisberg Riesling, and planted in almost 10,000 acres. Like the German original, it can be produced in every style from *very dry to richly luscious. One* or two that I tasted lacked the acidity needed to save them from flabbiness. Louis Martini is proud of its dry '78, but the one I particularly liked of this "Kabinett" style was Phelps's '80—pale, crisp and having the advantage of being only 11 degrees.

However, it was discovered that the "noble rot" that results in the great luscious German wines also occurs in the Napa Valley. A famous wine was the Freemark Abbey Late Harvested '73, a delicious dessert wine, but today the finest is probably the Phelps late-harvested, 10-degree 1978, already deeply coloured, with a lovely nose. Only 300 cases of this wine were made by the German wine-maker, Walter Schug, with an oechsle degree of 200, far above the minimum sweetness allowed for a German Trockenbeerenauslese. Not surprisingly, the price is high—$50 a bottle.

The term champagne is used widely in America for any sparkling wine, whether or not made by the champagne method of a second fermentation in bottle. This is how the superior *brands are produced*, and then given a maturity of about two years, compared with the three years recommended in Champagne itself. Among the more enterprising developments in the Napa have been the establishment of two distinguished "champagne" wineries: the Domaine Chandon, which in deference to the founding firm in Epernay, Moet et Chandon, does not label its sparkling wine as such, and Schramsberg, which produces a small quantity of high-class sparklers.

Chandon started making its wine in 1973, under the direction of M. Edmund Maudière, the Epernay *chef de cave*. In 1977 a brilliantly designed, architecturally highly attractive winery was built, and must be the envy of any visiting Champenois. Two-and-a-half million bottles are being produced annually, but production is being increased to 3m. Most of this is Brut, made from 80 per cent Pinot Noir, 12 per cent Chardonnay and 8 per cent Pino Blanc. The winery also makes a Blanc de Noir, which, surprisingly, is in fact a rosé, and is a little fuller, and for *my taste the better*, although the *Brut is closer to the style* of real champagne than others I tasted in California, except Schramsberg.

This latter was a table wine winery dating from 1862, with cellars dug into the tufa rock *of the* Napa mountainside; admirable for maturing champagne, and this the present owner, Jack Davies started to do in 1965, producing only 3,000 bottles. Now he is approaching an annual total of 240,000, but there is never enough.

He makes a delicate Blancs de Blanc, and a fruitier Blanc de Noir, which is indeed white. Schramsberg might be described as the Krug of California. Both this and Domaine Chandon lack the delicate aroma of the French wine, but they are about half the price of the *grandes marques* in America.

In view of the increased availability of California wines, some notes on recent and fairly *recent vintages may* be *of* interest. They are based on a consensus of opinions of a small group of distinguished Napa growers and experienced amateurs who chanced to be together during my visit to the valley.

1980—After a very cool summer, the vintage began three weeks late (September 20). Then very hot with temperatures over 100 F. Everything ripened together. Could turn out well. Some high acidity in Chardonnays.

1979—Following an exceedingly hot spell *early in* September, heavy rain during the vintage. Grapes not mature before this did not ripen, and some left unpicked.

1978—Ideal growing conditions throughout. Big crop. Cabernet-Sauvignon ripened together with Chardonnay, which is usually two to four weeks earlier. Too hot for some whites, red wines rich.

1977—The second of two succeeding drought years, even drier than 1976. Late vintage, generally inferior to that year, but some, including Phelps better, though others have cooked taste, owing to heat.

1976—First of two great drought years. Forty per cent of a normal *crop* (1977 was normal). Very concentrated, early maturing wines, perhaps over-rich. Some good Chardonnays.

1975—Spring frosts and rain were followed by cool summer, and some vintage rain, but those who picked early made good wines, especially Chardonnay.

1974—A perfect growing season, with long cool summer and autumn. Very fruity wines, in a year generally accepted as *a great vintage*, particularly for Cabernet-Sauvignons, but a small crop.

1973—A large crop after a long, moderate-temperature season. A fine vintage, but light, and wines at least at their best, perhaps past it.

Piggott to choose Eclipse mount

RACING

BY DOMINIC WIGAN

THE NEWS of Cairn Rouge's *training* setback has caused Corals to make some drastic alterations to their Eclipse Stakes prices. The sponsoring company now bets 6 to 4 Master Willie, 5 to 2 Hard Fought, 4 to 1 Madame Gay, 7 to 1 Vielle and 12 to 1 Bar.

The most interesting aspect of the race at present is the question of whether Lester Piggott will be on board Madame Gay or Vielle.

Madame Gay has achieved greater success of late but *Vielle* is probably *the higher* class filly and one prepared to do more for Piggott on a racecourse than for any other jockey.

It was after Vielle refused to do a tap for her stable jockey, Geoff Baxter in the Clive Graham Stakes at Goodwood in May that an exasperated Bruce Hobbs turned to Piggott.

The maestro persuaded Vielle to run on quite respectably in the Coronation Cup, in which the pair finished a close third behind Master Willie and Prince Bee, and then he got a fine run out of the Hobbs filly at Royal Ascot.

There, it was by only three-quarters of a length that Vielle failed to hold Hard Fought. I *suspect that the Raceform Notebook* reader who summed up Vielle's Royal Ascot effort by saying: "She refused to struggle near the finish" may have been over critical of the filly and she may well bear this out in the Coral Eclipse.

Turning to today's racing one of the safest bets of the afternoon should be the twice raced Lady Be Mine ridden by Piggott in the Thurne Maiden Fillies Stakes at Yarmouth.

This Sir Ivor filly, a most attractive half-sister to Mixed Applause, ran no sort of a race when an odds on chance at Ascot towards the end of April following a promising effort at Newmarket.

Whether it was the dead ground or simply that she was off colour there the fact remains that Lady Be Mine showed nothing like her true form. She ought to justify some of the hopes of her owner, Mr Peter Burrell, this afternoon in facile fashion before going on to better things.

SELECTIONS

YARMOUTH

3.45—Uppety*
4.15—Audley End
4.45—Lady Be Mine***

WARWICK

6.30—Colonel Mad**
7.25—Gorgeous Girl
7.50—Sussex Queen
8.20—Sandra Bella

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05-11.15 For Schools, Colleges. 1.27 pm Regional News for England (except London). 1.30 The Flumps. 1.45 News. 1.55 Wimbledon Tennis Championships. 4.20 Play School (as BBC 2 11.00 am). 4.45 The Record Breakers. 5.10 John Craven's Newsround. 5.15 Ask Aspel.

5.40 News.
5.55 Regional News Magazines.
6.20 Wimbledon '81.
7.15 Medical Express.
7.45 The Tuesday Film: "Horror At 37,000 Feet," starring Buddy Ebsen and William Shatner.
9.00 News.
9.25 Night of the Humming Bird.
10.25 Goodbye Darling.
11.15 It's a Dog's Life.
11.45-11.50 News Headlines.

All Regions as BBC 1 except as follows:—

Cymru/Wales — 5.15-5.40 pm Bilidowcar. 5.55 Wales Today. 6.15 Heddiw. 6.35 Join BBC 1 (Wimbledon). 11.45 News Headlines, News and Weather for Wales.

Scotland—1.25-1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.15 SE Ceap Breatunn: Martin MacDonald looks into the way of life of the Cape Breton Gaels of today. 11.45 News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 *Scene Around Six*. 11.45 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North-West (*Manchester*); *Midlands Today* (Birmingham); Nationwide (London and South-East); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

11.00 am Play School.
2.00 pm You and Me: Listen!
2.15 Wimbledon Tennis.
7.25 Mid-evening News.
7.35 Ain't Many Angels.
8.30 The Theatre Quiz.
9.00 Rhythm on Two with Sweet Substitute.
9.30 Maybury.
10.20 Wimbledon highlights.
11.00 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 Paperplay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon Plus—a Summer Season. 2.45 ITV Playhouse. 3.45 Looks Familiar. 4.15 Tweety Pie. 4.20 Razzmatazz. 4.45 Ace Reports. 5.15 Diff'rent Strokes.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Years of Lightning.
7.30 The Jim Davidson Show.
8.00 George and Mildred.
8.30 You're Only Young Twice.
9.00 The Spoils of War.
10.00 News.
10.30 China: Women.
11.45 Barney Miller.
12.10 am Close: Sit Up and Listen with the Rt Hon Norman St John Stevas.

All IBA Regions as London except at the following times:—

ANGLIA

12.30 pm Gardening Today. 1.20 Anglia News. 5.15 Bygones. 6.00 About Anglia: 5000. 7.30 Charlie's Angels. 11.45 Tenspeed and Brown Shoe. 12.40 am Anthology.

ATV

12.30 pm Gardening Today. 1.20 ATV News. 5.15 Happy Days. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.30 David Janssen—TV Superstar: "The Fugitive." 11.30 ATV News. 11.45 Paris.

BORDER

1.20 pm Border News. 5.15 Welcome Back Kotter. 6.00 Lookaround Tuesday. 7.30 Charlie's Angels. 11.45 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News, What's On Where and weather. 5.15 The Beach. 6.00 Channel Report. 7.30 Charlie's Angels. 10.28 Channel Late News. 11.45 Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.45 am First Thing. 9.50 Wild, Wild World of Animals. 10.10 Hands. 10.35 Sesame Street. 11.35 Stars on Ice. 12.30 am Gardening Today. 1.20 North News. 5.15 The End of Part One. 6.00 North Tonight. 11.45 North Headlines. 11.50 International Bowls.

GRANADA

1.20 pm Granada Reports. 5.15 Mork and Mindy. 6.00 Granada Reports. 6.25 This Is Your Right. 7.30 Charlie's Angels 11.45 It's a Musical World (David Gates).

HTV

12.30 pm Gardening Today. 1.20 HTV News. 5.15 Day at the Zoo (cartoon). 5.20 Crossroads. 6.00 Report West. 6.30 Mork and Mindy. 7.30 BJ and the Bear. 10.28 HTV News.

HTV Cymru/Wales—As HTV West except: 12.00 Poli a Pili. 12.05-12.10 pm Calimero. 4.15-4.45 Camigam. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30 Cefn Gwlad. 11.15-11.45 George *and Mildred*.

SCOTTISH

9.55 am Call it Macaroni. 10.20 Kum Kum. 10.35 Welcome to the Ceilidh. 11.10 Bailey's Bird. 11.35 Stars on Ice. 12.30 pm Gardening *Today*. 1.20 *News, and road and* weather. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 What's Your Problem? 11.45 Late Call. 11.50 The Monklands International Bowling Tournament.

SOUTHERN

1.20 pm Southern News and weather. 5.15 Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 7.30 Vegas. 11.45 That's Hollywood.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 5.15 The Flying Kiwis. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.30 Charlie's Angels. 10.30 North East News. 11.50 Christianity Is . . . So Dull.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.30 Bygones. 7.30 Charlie's Angels. 10.29 Ulster weather. 11.45 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 5.15 The Beach. 6.00 Westward Diary. 7.30 Charlie's Angels. 10.32 Westward Late News. 11.46 Faith for Life. 11.50 West Country weather and shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 3.45 Calendar Tuesday. 5.15 Survival. 6.00 Calendar (Emley Moor and Belmont editions). 7.30 Charlie's Angels. 11.45 Pavilion Folk.

(S) Stereophonic broadcast
† Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett 2.30 Dave Lee Travis. 4.30 Peter Powell 7.00 Talkabout with Adrian Love. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 3.00 The Ed Stewart Show. 4.00 David Hamilton (S). 5.45 News: sport. 6.00 David Symonds with Much More Music (S). 8.00 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Wimbledon Championships. 7.00 David Symonds (S) (joins VHF). 8.00 Hubert Gregg says I Call It Genius: Irving Berlin (S). 9.00 Marching and Waltzing (S). 9.55 Sports Desk. 10.00 You've Got To Be Joking. 10.30 "Patterson" 11.00 Peter Clayton with Round Midnight 1.00 Truckers' Hour (S) 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: *Donizetti* (S). 10.00 *Capricorn* (S). 11.45 Cheryl Grace guitar recital (S). 12.15 pm Lunchtime Prom, part 1 (S). 1.00 News. 1.05 Six Continents with Ian McDougall. 1.25 Lunchtime Prom, part 2 (S). 2.10 Andras Schiff piano recital (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Busch String Quartet. 7.45 The Feminist Enterprise. 8.30 "Sorochintsy Fair," opera by Mussorgsky (Act 1) (S). 9.10 Study. 9.30 "Sorochintsy Fair," (Act 2 and 3) (S) 10.35 Robert Gurluch introduces and leads a selection of his own work. 11.00 News. 11.05-11.15 "Cry" (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, with John Timpson in Jerusalem, reporting on Polling Day in *Israel*. 8.35 *Yesterday in Parliament*. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way visits Crowthorne, Berkshire 12.55 Weather: Programme *News*. 1.00 *The World at One* 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 A Dance to the Music of Time by Anthony Powell (S). 4.00 Other People's Radio. 4.15 No Handicap (Itzhak Perlman). 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping forecast. 5.55 Weather; Programme *News*. 6.00 *News, including Financial* Report. 6.30 Brain of Britain (S). 7.00 News. 7.05 The Archers. 7.20 Medicine Now. 7.50 The Countryside in midsummer. 8.35 A Touch of Genius: Robin Ray traces the artistry of Sir Thomas Beecham. 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Living Night. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star 10.03 The Claire Rayner Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Openings. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-*5.00 am Join Radio 2*.

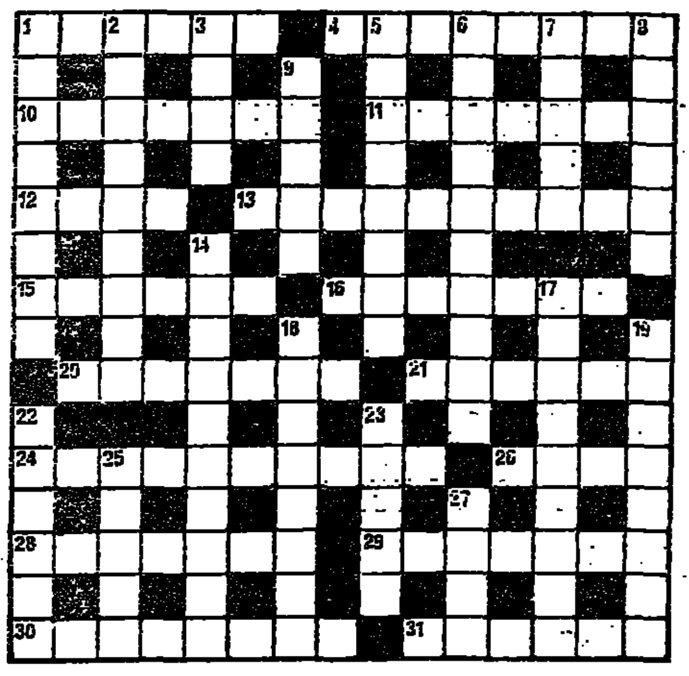
London Broadcasting

6.0 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 3.00 am Night Extra. 4.00 LBC Special. 5.00 Morning Music.

Capital Radio

7.00 am. Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne (rock music). 10.30 John Sachs's Late Show. 12.00 Midnight Special.

F.T. CROSSWORD PUZZLE No. 4,607



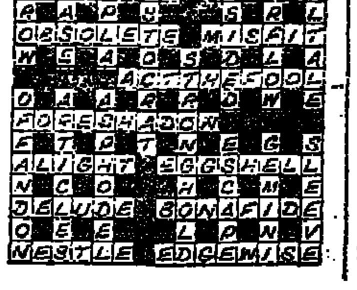
ACROSS

1 Sounds like a command to hurry with a note (1, 5)
4 Impressive authority for transfer tax (5, 3)
10 Is a Scots leader able to receive thanks for game? (7)
11 Beaten as Open finished (7)
12 Key to loose thread (4)
13 Strive in vain to improve on flying (4, 3, 3)
15 Cheer the French grub (6)
16 Waste battered apple (7)
20 Skill in making hotpot cultivated by clannish type (7)
21 Bill to give up assent (6)
24 Calumnies like ancient imperialists, we hear (10)
26 Trophies returned to bar (4)
28 Engineers newspaper version of squash (7)
29 Non-existent state of Water Music (4, 3)
30 Position for skytrooper to sponge (8)
31 Spring victory? Learn differently (6)

DOWN

1 Second heat to go wrong (8)
2 Stick paper on wall near loaf (4, 5)
3 Knight upset king by chance (4)
5 People running for pig-food (8)
6 Staff at wedding striking in the end (5-5)
7 Soon get over a girl (5)
8 Those people embracing gold speculation (6)
9 Go mad over liberal composer (5)
14 Ground for blooming river to go over county (6, 4)
17 Notices school trouble in sight (2, 6)
18 Educate firm to produce plaything (5, 3)
19 Agency typist has spoken of this life (8)
22 Day to strike governor (6)
23 Harmony in one end of May (5)
25 Notes exam questions (5)
27 Family row (4)

Solution to Puzzle No. 4,606



ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S 836 3161. CC 240 5258. NUREYEV FESTIVAL. Until July 11. *Evgs 7.30. Mat July 4, 8, 11 at 2.00* with The Boston Ballet SWAN LAKE. Nureyev dances every performance.

COVENT GARDEN. 240 1066. S. (Gardencharge CC 836 6903.) 65 amphi-seats avail for all perfs from 10 am on the day of perf THE ROYAL OPERA. Ton't at 7.00. Fri at 7.30 Peter Grimes. Tomor & Sat at 7.30 Luisa Miller. Thurs at 7.30 Madama Butterfly. Mon at 7.00 Don Giovanni.

GLYNDEBOURNE *Festival* Opera with the London Philharmonic Orchestra. Until August 11. Tomor & Fri 5.55. Sun 4.55 A Midsummer Night's Dream. Thurs & Sat 5.55 Il barbiere di Siviglia. SOLD OUT Tel for possible returns. BOX OFFICE 0273 812411/813424.

SADLER'S WELLS THEATRE EC1. Tel. 01-837 1672/1673/3856. Credit Cards 10 am to 6 pm 01-278 0871. Group Sales Box Office 01-379 6061. Until Sats Evs 7.30. Sat Mat 2.30 TWYLA THARP DANCE COMPANY. Tonight & Sat (Mat & Eve) The Rags Suite/Assorted Quartets/Short Stories/Eight Jelly Rolls. Tomor & Thur Sue's Leg/Uncle Edgar Dyed His Hair Red/The Fugue/Baker's Dozen. Fri Brahms' Paganini/Uncle Edgar Dyed His Hair Red/The Fugue/Ocean's Motion. Tkts £2 to £8. July 6 to 11 BALLET STARS OF AMERICA. SAVE £££'s DANCE SUBSCRIPTION SEASON. Booking Opens July 6. For Details Tel. 01-278 0855. NOW!

THEATRES

ADELPHI. S. CC. 01-836 7611. Evs. 7.30. Sat. 4.0 & 7.45. Mats. Thurs. 3.00. TONY BRITTON, JILL MARTIN, PETER BAYLISS in MY FAIR LADY For group bookings telephone 01-836 7358 or 01-379 6061. Anna Neagle returns July 7. Now booking through to October.

ALBERY. 01-836 3878. CC bkgs. 379 6565. Grp bkgs 836 3962 or 379 6061. Evs. 8.00. Thurs. Mat 3.00. Stalls from £2.90. Sat. 5.00 and 8.15. Sian Phillips. Denis Lawson (Most Promising New Actor DRAMA AWARD 1980). Rodgers' and Hart's musical PAL JOEY.

ALDWYCH. S. 836 6404. CC 379 6233. (10-6, Sats 10-4). Info. 836 5332. ROYAL SHAKESPEARE COMPANY in new production of TROILUS AND CRESSIDA, directed by Terry Hands. *Seats avail. for reduced price previews from tomor.* Booking also open for THE MERCHANT OF VENICE (opening 14 July) and AS YOU LIKE IT (opening 21 July). Prestel 22023. Group Sales 379 6061. RSC also at The Warehouse/Fortune-Piccadilly.

AMBASSADORS. S. CC. 836 1171. Evs. 8.00. Tues. Mat. 3.00. Sat. 5.30 and 8.30. RECORD BREAKING RUN of J. B. PRIESTLEY'S Mystery Play DANGEROUS CORNER. Acclaimed revival *of Priestley's most popular play.* Seat prices from £3.00.

APOLLO. Shaftesbury Ave. CC 437 2663. Evgs. 8.0. Sats. 6.0 & 8.45. CLIVE JAMES. PAMELA STEPHENSON. RUSSELL DAVIS in CHARLES CHARMINGS CHALLENGES. An epic with 1,000 voices.

APOLLO VICTORIA. Tel. 01-834 2819/01-828 6491. CC 10.00 am-7.30 pm. LAST PERF. TONIGHT at 8.00 pm. SAMMY DAVIS JNR. Tickets £17.50, *£15.50, £12.50, £10.50, £7.50.*

CAMBRIDGE THEATRE Tel 01-836 7040/6056. Red Price Prevs. July 7, 8, 9, 10 & 13 at 8.00. ALL SEATS £3.00. Opens Tues. 14th July at 7.30 pm. Subs. Evgs 8.00 pm. Late show Fri 10.30 pm. Sat 6.00 & 9.00. The Entire American Company Direct from Broadway in ONE MO' TIME! THE NEW ORLEANS MUSICAL ONE MO' TIME IS A GOOD TIME!

CHICHESTER Festival Theatre. 0243 781312. Season *sponsored* by Martini & Rossi Ltd. TOM BAKER in FEASTING WITH PANTHERS Ton't 7.0.

COMEDY THEATRE. S. CC. 01-930 2578. Panton St., W.1. The Award Winning Musical Hit BILLY BISHOP GOES TO WAR. Evgs. 8.0. Sats. 5.30 & 8.30.

CRITERION. S 930 3216. CC 379 6565. Group bkgs 836 3962. Evs 8.0. Sat 6.0. 8.45. RUN EXTENDED TO 11 JULY. CARL CHASE in HANK WILLIAMS THE SHOW HE NEVER GAVE. Liverpool *Everyman prod. Dir. by Ken Campbell &* Terry Canning.

CRITERION. Now booking Dario Fo's farce CAN'T PAY? WON'T PAY! LOW PRICE PREVIEWS. ALL SEATS £2.90. 15 to 24 July.

DRURY LANE. Theatre Royal. Tel. 836 8108. THE BEST LITTLE WHOREHOUSE IN TEXAS. Evs. Mon. to Thur. 8.0. Fri. and Sat. 5.30 and 8.30. Group sales Box Office 379 6061.

DUCHESS. CC 01-836 8243. Evenings 8.0. Mats. Wed. 3.00. Sats 5.30 and 8.30. FRANCES MATTHEWS. GEORGE SEWELL and LYNETTE DAVIES in THE BUSINESS OF MURDER.

DUKE OF YORK'S. S 836 5122. Credit Cards 379 6565. 930 0731 (4 lines) (9.30-6.00 Sats. 9.30-4.30). Group bookings 836 3962. 379 6061. Evgs. 8.0. Sats. 5.0 and 8.30. Stalls and Circle from £2.90. FRANCES DE LA TOUR. ACTRESS OF THE YEAR Swet Awards '80. BEST ACTRESS New Standard Drama Awards '80. BEST PERFORMANCE BY AN ACTRESS 1980 Drama Awards and DAVID DE KEYSER BEST SUPPORTING ACTOR Drama Awards of the Year 1980, in TOM KEMPINSKI'S DUET FOR ONE. LAST FOUR WEEKS.

FORTUNE *Russell St., WC2.* S. Box Office and Credit Cards 01-836 2238. To Celebrate The Royal Wedding The Fortune Theatre presents THE ROYAL SHAKESPEARE COMPANY in John Barton's THE HOLLOW CROWN, an entertainment of words/music about *Kingship. All week Evgs 8.0 (Tomor 7.0). Fri-Sat 5.30 & 8.30.* Cast varies: This week—Alan Howard, Barbara Leigh-Hunt, Norman Rodway and Martin Best. In rep with PLEASURE AND REPENTANCE (from 13 July). Big reductions if you book for both entertainments.

GARRICK. S. CC. Box Off Tel. 836 4061. MIKE LEIGH'S SMASH HIT GOOSE PIMPLES. MON.-SAT. 8.00 pm. SAT. MAT. 3.00 pm. Group sales 379 6061.

GLOBE THEATRE. 01-437 1592. ALEC McCOWEN in ST. MARK'S GOSPEL. July 12 for 4 weeks only. Book now.

GREENWICH THEATRE. CC. 858 7755. Evgs. 7.45. Mat Sat. 2.30. Shaw's THE DOCTOR'S DILEMMA.

HAYMARKET THEATRE ROYAL. 930 9832. DEBORAH KERR. IAN CARMICHAEL in OVERHEARD. A new play by PETER USTINOV. Evgs. Mon.-Sat. 8.00 pm. Mats. Wed. at 2.30. Sat. at 4.30.

HER MAJESTY'S. 930 6606-7. CC 930 4025-6. Grp Bkg 379 6061. Low price previews Ton't & Tomor at 8.0. Open Thur at 7.0. Subs Evgs 8.0. Sat Mats 3.0. FRANK FINLAY in the National Theatre's multi-award winning production of AMADEUS by PETER SHAFFER. Directed by PETER HALL.

KINGS HEAD. 226 1916. Dnr 7. Show 8. WONDERLAND, a new musical, set in Hollywood in the 40's.

LONDON PALLADIUM. 01-437 7373. MICHAEL CRAWFORD in the Broadway Musical BARNUM. Evgs. 7.30. Mats Wed. and Sats. 2.45. Use the Barnum Hotline 01-437 2055. 01-734 8961 for instant credit card reservations. MATINEE TOMORROW 2.45. SEATS AT DOORS.

LYRIC HAMMERSMITH. CC 01-741 2311. Extended until 18 July. Evgs 7.30. Sats. 4.30 & 8.15. Matinee this Thur 2.30. HAVING A BALL: *(Private Practices)* by Alan Bleasdale. Dir: Alan Dosser. With Julie Walters.

THEATRES

MAY FAIR THEATRE. Stratton St., W1. CC 629 3036. Gp. sales 379 6061. *CAPITAL RADIO SUMMER CELEBRITY SERIES.* July 5 to Aug 1. Eves Tues to Sunday inc 8.30. Mats Thurs & Sat 5.30 MERRY ENGLAND July 5 & 10. BEHIND OUR SCENES July 7 & 11 mat. COUNTRY CONTENTMENTS July 8 & 11 eve. WILL YOU WALK INTO MY PARLOUR July 9 mat & eve. Players in first week from ISLA BLAIR, ANNETTE CROSBIE, ANN FIRBANK, BARRY FOSTER, CLIVE FRANCIS, JULIAN GLOVER, TERRENCE HARDIMAN, POLLY JAMES, DAVID KING, WILLIAM SQUIRE, TIMOTHY WEST, MICHAEL WILLIAMS.

MERMAID TH. Puddle Dock, Blackfriars EC4. 01-236 5568. CC 01-930 9731. Opens July 7. EASTWOOD HO! A New Musical based on the Jacobean comedy. Dir. by Robert Chetwyn. Evgs. 8. Thurs. and Sat. Mats. 5. Reduced price prevs from Tonight. Restaurant 01-248 2835. Car parking adjacent. Tkts £2 to £6 from Aug. 19. CHILDREN OF A LESSER GOD.

NATIONAL THEATRE. S. 928 2252. OLIVIER (open stage): Ton't 7.15 Tomor 2.00 (low price mat) & 7.15 THE LIFE OF GALILEO by Bertolt Brecht trans Howard Brenton. LYTTELTON (proscenium stage): Thurs. Fri (low price prevs) 7.45 WHO'S AFRAID OF VIRGINIA WOOLF? by Edward Albee. COTTESLOE (small auditorium—low price tkts): Ton't 7.30 SERJEANT MUSGRAVE'S DANCE (not ONE WOMAN PLAYS as in leaflet). Tomor 7.30 SERJEANT MUSGRAVE'S DANCE by John Arden. Ton't 6.00 Lunka Janiurek's specially commissioned new play IN BOXES directed by Nicholas Wright. 45 mins Platform Perf all tkts £1.20. Olivier/Lyttelton Summer Standby: any unsold seats £3.50 (£2.80 mid-week mats) from 10 am on day. Car park. Restaurant 928 2033. Credit card bkgs 928 5933. NT also at HER MAJESTY'S.

NEW LONDON THEATRE. CC Drury Lane, London, WC2. 01-405 0072 or 01-405 1567. Booking now until Feb. 1982 (nearest Underground Covent Garden). Credit and telephone bookings from 9 am. CATS. THE ANDREW LLOYD-WEBBER T. S. ELIOT MUSICAL. ADDITIONAL BOX OFFICE (at normal theatre prices) The Ticket Centre (next to Wyndham's Theatre) St Martin's Court, Charing Cross Rd., London, WC2. 01-240 2150. Group Sales 01-405 0075 or 01-379 6061. LATECOMERS WILL NOT BE ADMITTED WHILST *AUDITORIUM IS IN MOTION*. Prompt arrival is therefore requested. BARS OPEN 1 HOUR PRIOR TO PERFORMANCE.

OPEN AIR REGENT'S PARK. CC. S. 486 2431. THE COMEDY OF ERRORS tonight 8.00. Wed 2.30 & 8.00. MUCH ADO ABOUT NOTHING Thur, Fri & Sat 7.45. Mats Thur & Sat 2.30.

PALACE. S. CC. 01-437 6834. RODGERS & HAMMERSTEIN'S OKLAHOMA! Evgs. 7.30. Mats. Wed. and Sat. 3.00. Group bookings (01-379 6061). Better selection of seats available Mon.-Thur.

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THE ARTS

London Galleries

Caro and Pietsch

by WILLIAM PACKER

There are no rules to determine what should go with what or where, and quality in the works concerned, and good sense on the part of the arranger, collector or curator, are the main, one might almost say the only, requirements for success. Everything to be of a piece and a period, inside and out, has its time and place, and to great occasional effect; but academical consistency is not over-humane a trait, and more likely to stultify than encourage a lively sensibility. The arts are nothing if they are not part of life, and life must go on. Great collections, great houses, great churches are likely to have earned such consideration quite as much by the rich variety they encompass as by any particular treasure or characteristic, and to add new to old was once the natural, the obvious proceeding.

Today we are more precious, more protective, less confident: we object to Henry Moores in cathedral cloisters, for example, and more various modern sculpture in the Royal Parks is a matter of controversy. We think it a brave thing to put modern pictures into an old house, and would far rather plug an historic town with an insensitive sham, in the name of conservation, than a good new building.

Kenwood is splendid, a fine Adam House, with additions, in a wonderful setting, and though the original Mansfield furniture and collections were dispersed, and the interior for the most part remains relatively unfurnished, the Iveagh Bequest of pictures which it now contains is a remarkable suggestion of what an eighteenth century gentleman's collection might have been. The works are mostly Dutch and English, a few French and the odd Italian, and together they span two centuries or so, from Van Dyck to Turner, with some choice masterpieces between, and the nicest leaps of taste and character.

The rooms on the upper floor are empty, and together they comprise a small suite of galleries, a natural domestic setting appropriate to work of all kinds. They now contain a selection of Anthony Caro's smaller bronzes of the past five years or so (until August 31). Caro is now a senior figure, after Moore our leading sculptor and one of the very few of our artists to enjoy a truly international reputation. He was a commanding influence in the 'sixties, both as example and teacher, leading the way into welded, open, colourful abstraction, a large and ample constructivism that was seldom oppressive, and always intelligent and deft in its application and disposition. In more recent years, however, he was inclined away from the grander statement, working rather on a smaller, more personal scale, and composing ever more freely and intuitively with whatever material came to hand: the offcuts and debris is studio and workshop, discarded tools, pots and pans, bits and pieces.

He was always essentially an assembler, an orchestrator of given material rather than an actual maker or modeller. But carving and modelling was how he began; and these newer works do begin to hint at modelling of a kind, if only at a certain remove, by the use of already modelled or turned elements within the composition, ceramic pots for example, or by the occasional bending or twisting of the actual metal. And the thought does occur that Caro perhaps is working back towards those rather more direct creative techniques, with all their peculiar freedoms and responsibilities, that were the commonplace of the sculptor's business in the days before Caro took it upon himself to change it all. It is a slow, somewhat side-long progression, but though the work still grows out of a process of assembly before being finally unified in bronze, it is already much closer to the romantic, anthropomorphic expressionism of the fifties, than to the sardonic, dispassionate, clever engineering that followed.

It is, in short, palpably more atmospheric and suggestive. Much of the work, the smaller pieces especially, has a strong affinity with ancient Chinese bronzes, and also the ceramics, manifesting a certain hieratic and ambiguously ritual quality. The space is closed in, the suggestion perhaps of arks, and treasuries, and secret chambers and even burials. And the variety of texture and patination, and the physical folds and ripples in the material, as of some ancient accident, enhances this sense of an unspoken antiquity.

Caro has made a good deal of what he calls table-top sculpture, but what we see here is mostly somewhat larger, on the scale of domestic furniture, odd tripods or table-like constructions that occupy easily and naturally rather than dominate the space. We pass through these old and simple rooms, bare of all but sculpture, and enjoy them too, the sculpture as natural in its relation to the room as the room is to the house, the house to the park. The view is wonderful, and who can go to Kenwood and not make his duty to Rembrandt downstairs, in his great and most moving self-portrait, and to Gainsborough's Lady Howe, exquisite in an Orangery charged with orange blossom?

Heinz-Dieter Pietsch is a young German painter who has made his career in this country and is now showing at the Nicola Jacobs Gallery in Cork Street (until July 25). His work is simplicity itself, or appears so at first, but the more we look, the richer, the more complex it becomes. He is an abstract painter yet his paintings are most certainly representational; the imagery is quite flat and on the surface yet it exists within a perfectly credible space; the work is very quiet, all close shifts of grey, warm to cool, yet it is strongly, even dramatically lit. He celebrates the works as physical entities, the rough scalloped edges of the paper support, which he makes himself, declaring the painting as autonomous object, and yet the illusion it carries takes him, and us, into the territory of trompe-l'oeil. So the paradoxes continue.

His subject-matter in fact consists solely of wall surfaces as he comes upon them on derelict and demolition sites throughout the city, suggestive and seductive fragments, the plaster fallen away, traces of a particular decorative or destructive history left as chance allows. And Pietsch scrutinise these impassive but potent relics with the closest attention, and translates them infinite patience and fidelity: or does he? Is what we see reality or metaphor, or even pure invention? Are these records of particular circumstance or miscellaneous composition? And always there is the painter's own hand to consider, as the eye accepts the transition from what appears to be flat plaster speckled with dust, or paint, or whatever, to that almost too believable corrugation. We walk past and only the stillness of the shadow gives the game away. Pietsch contrives for us objects of consummate refinement and great beauty, and it is for us to fill out each particular imaginative history for ourselves, each one so steeped in association and suggestive possibility, yet so ambiguous.

Training at the old Fire Brigade Headquarters, Southwark Bridge Road

Architecture

Fire!

by COLIN AMERY

Fires and architecture would seem to be mortal enemies but there is an exhibition in London at the moment that demonstrates what happens when they are friends. *London's Architecture and the London Fire Brigade* at the Heinz Gallery (21 Portman Square, W.1.) is a crowded room full of drawings, photographs and ephemara all relating to the activities of the Fire Brigade in London up to 1938.

In 1866 the Metropolitan Fire Brigade was established after the great Tooley Street fire in 1861. This brigade under the command of the dashing Captain Eyre Massey Shaw (described in this exhibition as "fast" which I would have thought was an asset to any fireman) was entirely made up of ex-seamen. Only these tough sailors had the endurance and tolerance of heights to be effective on the ladders of London. The fire stations built during the early years of the 1880s were characterised by their free Gothic style and agreeable detailing. The fire station at Bishopsgate (now used as a warehouse) is a good example of this style in the City and the one in Chiltern Street in Marylebone is a more exciting West End equivalent.

Architecturally the most interesting stations grew up in the first two decades of this century, under the L.C.C. Architects Owen Fleming and C. C. Winmill designed in the Arts and Crafts manner and the best example of their pleasingly domestic brick fire stations is the station on the Euston Road where it is still in use. This period saw the development of a real free style which must have grown out of the friendship of Winmill with the great architect Philip Webb.

The exhibition is full of enticing detail about life in lofts above the engines. It tells when the slippery pole arrived, when the watch towers were phased out and when (in 1900) the first Ladies Fire Brigade was founded.

Festival Hall

Verdi's Requiem

by DAVID MURRAY

The Royal Philharmonic was conducted on Sunday by Lamberto Gardelli in place of Carlo Maria Giulini. With the splendid Philharmonia Chorus and a powerful solo quartet, the Requiem could hardly have proved disappointing in any case, and in fact Gardelli led a performance of resounding distinction. It began in a suppressed hush, the music seeming to proceed from far off, but the heavens were properly split open for the "Dies irae" (a brilliant blaze from the "Tuba mirum" trumpets)—and yet Gardelli encouraged his choral forces to a Mendelssohnian lightness in the fugues. One could hear Falstaff coming, as in many other places too Gardelli permitted the operatic master to show his hand. Quite right: Verdi never gains by a grandiose ecclesiastical disguise.

Such a performance can leave the solo voices generous room in the foreground while denying the monumental sections nothing of their power—granted a conductor who, like Gardelli, holds the whole work in a balanced view. He kept the choral music lithe and urgent; the note of personal utterance was reserved to the soloists—not too candidly operatic, but heartfelt and beautifully supported by Gardelli's tactful baton. Their dramatic range easily encompassed the florid "Kyrie" entries, the lyrical parentheses of the "Offertorio" and the last whispered pleas.

It was in this Requiem that I first heard the soprano Katia Ricciarelli, perhaps ten years ago. She is less recklessly full-throated in the part now, but professional maturity has not constrained her lovely tone nor her glowing sincerity. She and Brigette Fassbaender blended hauntingly in the octave-unison "Agnus Dei," the line most movingly wrought; Miss Fassbaender sang with ever-greater ease as the work went on, and always with fine, dark authority.

The giant bass Ulrik Cold boasts an imposing voice that has all the flexibility Verdi requires, and Nicolai Gedda brought his ripe experience and cultivated style to the tenor music. His sound is less ample than it once was, but he rose stirringly to the "Ingemisco." Where the quartet was unacompanied there were moments of doubt about pitch, always safely resolved (the rigours of the work are well known); mostly their security was to be admired and the chorus was faultless.

Elizabeth Hall

Peter Frankl

by DOMINIC GILL

It was a pity, dramatically speaking, that Peter Frankl began his piano recital on Sunday with Mozart's great C minor Fantasia K475—for it was the least satisfying performance of the afternoon, and cast a shadow, faint but impossible to erase, over all that followed. It was a powerfully romantic reading, broadly rhapsodic, liberally pedalled, heavy with late 19th-century salon perfume: and characterised especially by an habitual *ritardando* and pause before the beginning of every new phrase (sometimes, more indulgently still, before the beginning of every new bar). The effect was intriguing, but intensely disruptive: the music, already highly episodic, was wrenched apart by such expressive supercharge into tiny fragments—Mozart's most austere and desolate keyboard utterance seen through a purple-tinted prism.

The device was quite specific and clearly intentional—there was no trace of it in the two Mozart sonatas which Frankl played next. Both these performances were notable for their simplicity and clarity—the finale of the A minor sonata K310 in particular, given with the greatest firmness and delicacy, and the whole of the D major K576, strongly proposed, deftly drawn.

After no more than a minute of his second half, the mystery was made clear: Frankl had conceived the Mozart Fantasia as a Fantaisie by Chopin. For here, in all three of the Chopin Impromptus, was precisely the same expressive scheme—every phrase of an accompanied melody, short or long, delivered with the same *ritardando* and pause. The device was so unvaried in its application, and finally so dizzying in its predictability, that it quite overwhelmed for me all the other many fine qualities of the playing—the sensitive voice-leading, the vivid colouring, and generally the admirable spirit and panache of the presentation. But could there not be, just once, a single phrase *senza rit*? It was evidently a mannerism reserved for shorter works: for once more, in Chopin's B flat minor sonata, the line flowed easily and freely—in the first movement like a torrent, fast and furious, richer in broad effect than in detail, but exhilarating in its impetus; and through each succeeding movement to the finale (hardly *sotto voce*, a savage whirl), straight to the mark.

Direct labour at Bath

An unusual scheme to reduce the spiralling cost of restoring the Theatre Royal in Bath was announced yesterday. A non-profit making construction company has been formed operating on a direct sub-contract structure which is aimed at saving £1m on the rennovation. Since an appeal was launched last autumn to restore the theatre the cost of the work has risen from £2 to £3.5m. The new plan should ensure that the original £2m target will be kept.

The idea of the company came from Laurie Marsh, the developer with strong theatre and cinema connections, and he will act as an unpaid director. So far the appeal has raised around £1m, with two substantial grants of £400,000 each from the Bath City Council and the Arts Council.

Two new money raising ideas announced yesterday are Top Brass, which enables companies or individuals to endow a theatre feature of their choice—a seat for £100, a stage for £25,000 — in return for an attached brass plaque, and The 1805 Club which offers theatre seats and other privileges for contributions of £1,000-£15,000.

Milan

Muti at La Scala

by WILLIAM WEAVER

Some Italian newspapers, in recent years, have tried to create a rivalry between the two major young conductors in the country: Claudio Abbado and Riccardo Muti. The aim, apparently, was to develop a headlines war on the model of the Callas-Tebaldi conflict in the 1950s. But, happily, the plan has failed. In the first place, conductors are more tight-lipped than prima donnas; and besides, singers' fans are a race apart, much more bellicose than the admirers of other kinds of musicians.

Still, when Muti came to La Scala a few weeks ago, to prepare and conduct a new production of *Le nozze di Figaro*, it did seem an invasion of Abbado territory; and the papers made yet another attempt to poke the embers of controversy. Again, in vain. Muti's success was total, his reception as unpolemical as it was warm-hearted. For that matter, the two artists, Muti and Abbado, are quite different and each is a great musician in his own right, with his own personality and his own specialties.

Though Muti has conducted Mozart before and has also made some Mozart recordings, the composer has not been in fact, considered a specialty of his. But just over a year ago, when he conducted a *Figaro* at the Maggio musicale in Florence, it was immediately clear that he felt a deep affinity for the score. That Florence production was impaired by some inadequate casting and erratic staging; now, for what amounts to his Scala opera debut, Muti could count not only on a first-rate selection of singers, but also on the presence of Giorgio Strehler as producer and Ezio Frigerio for the sets and Franca Squarciapino for the costumes. Apparently the visual presentation was based, to some extent, on Strehler's famous *Figaro* for Paris (which I did not see), but it was specially re-thought for the different requirements and dimensions of La Scala and for the somewhat different cast.

Basically, it was simple: a bare room for the first scene, all in grey; then golden tones for the Countess's bedroom; a grey passage-gallery; and a delicate garden between two grey pavilions. The costumes of the chorus were almost without colour, and yet not anonymous. Susanna's cloak was pale blue; the Countess's, a shimmering russet. Movements were also limited, essential; clowning was kept to a minimum, and yet there was, throughout, a bubbling under-current of good-humour, like an underground stream that, on occasion, emerged and sparkled briefly.

The first thing that impressed about Muti's conducting was the quality of the sound (it impressed me particularly because I was sitting in the first row, near the double-basses, yet thanks to Muti's miraculous control, I heard the orchestra in perfect balance): at times almost hushed, never excessive, with peaks of assertion and power. He established his dynamics at the outset, and the whole reading was contained, as if this were a chamber performance, though no points seem blunted or diminished.

Julia Varady was a sober, wistful (not plaintive) Countess, so tasteful that the audience forgot to applaud her first aria, then applauded her second one with double warmth, to make sure their admiration was clear. As Susanna, Sona Ghazarian sang pertly and sweetly, but indulged in excessive mugging now and then, as if bridling at the understatement of Strehler's interpretation. Frederica von Stade sang the first Cherubinos, then was replaced by Jean Piland, who—at my performance—was replaced, evidently on quite short notice, by Elena Zilio, who has never sung or looked better: she seemed born for the role.

The Figaro of Samuel Ramey is youthful, of course, and immediately engaging; his open, frank countenance, seeming to belie his prompt guile, adds to the fun of his very understated interpretation. Though it had been announced that he had 'flu, he sang with full, warm tone and seeming ease. His Italian is admirable, and was more noticeable because of the woolly enunciation of Wolfgang Brendel, otherwise a handsome and persuasive Count. The small roles were all well done (special praise to Roland Bracht for his convincingly stuffy Bartolo), Muti was right to open the standard cuts. Though the performance lasted over four hours —with only one interval—it did not seem long.

The other current success at La Scala is the revival of Franco Zeffirelli's 1963 production of *La Bohème* (getting a bit of *rodage* before it goes to Japan with the company in September). Originally conducted by Karajan, it has passed through several hands since, and now is glowing under the baton of Carlos Kleiber. With a considerably larger orchestra than Muti's, Kleiber relishes the big tunes and the swelling climaxes and encourages the singers to show the volume as well as the quality of their voices. Mimi remains Mirella Freni, whose interpretation has become—though it would have seemed impossible—still more moving, more delicately-hued. She succeeds in soaring with the great phrases like the most graceful surfer on a vast, incoming wave; the voice, no matter how loud, never loses sweetness. Her Rodolfo, Peter Dvorsky, recovering from an indisposition, was not quite on this level, but still quite satisfying. Leo Nuti barked now and then as Marcello (curiously, on the very words "son lieve a Musetta"). Margherita Guglielmi's Musetta was natural, relaxed, and musical. For once—and here Kleiber's fluent reading was also responsible—the waltz song seemed to rise from the context, with no sense of an inserted "set piece."

Sonja Frisell, who re-staged Zeffirelli's production, made a few miscalculations (Musetta's entrance was too late for Marcello's reaction to it; and the too-prominent cocottes at Momus gave the café an unnecessarily sordid air), but despite an occasional blurring of the original intentions, this staging has held up wonderfully and is ever a delight to see. Not all the much-touted Scala productions of the past seasons will look this fresh a couple of decades from now.

Ronnie Scott's

Dexter Gordon

by KEVIN HENRIQUES

Tenor - saxophonist Dexter Gordon, a jazz giant in every meaning of the phrase, is back at Ronnie Scott's until Saturday. His surging power and the density of his playing remain a marvel. His relaxed control also. Anyone unfamiliar with his live appearances will be thoroughly satisfied, not least with the theatrical aspects—his prolonged, horizontal arm-flapping—as the final bars of each tune are stretched out by the rhythm section followed by the ceremonial acceptance of applause by his horizontally-held, glinting sax.

But devotees who make certain of never missing a Dexter Gordon visit may be somewhat disappointed, if the evidence of last Friday's two sets is used as a barometer. For though most of the glorious Gordon hallmarks were well in evidence there was a noticeable reduction in the fullness and warmth of his tone. His lengthy improvisations, usually so logically constructed and confidently executed, lacked conviction. For once there was a touch of superficiality in his playing.

A suggestion borne out by almost all the tunes heard, based firmly on a familiar staple diet including his own "Fried Bananas" and "Cheese Cake." Beautiful ballads such as "Polka Dots and Moonbeams" and "I guess I'll hang my tears out to dry," prefaced by his engaging, deep-throated recitation of part of the lyrics, lacked his usual tender care and emotional depth.

As usual Gordon's penchant for including numerous quotes from other tunes provides a stimulating guessing game for listeners blessed, like the saxist, with an encyclopaedic knowledge of popular songs. But his dalliance with "Ramona" on Friday was not one of his most inspired liaisons.

Indeed most of the evening's true inspiration came from the quite exhilarating pianist Kirk Lightsey, whose strong, two-handed melodic and rhythmic playing, full of musicianly twists and turns and bereft of cliché, notably enhanced every number.

The remaining trio members are David Eubanks, a self-effacing but reliable bassist, and Eddie Gladden, a hard-driving, constantly contributing drummer, just perfect for the Dexter Gordon brand of urgent modern jazz.

*

Also appearing is *une chanteuse* named Miquel (pronounced "Michael") Brown who took expert care of the Gospel chores in the show, *Bubbling Brown Sugar* but who at Scott's ill-advisedly includes in her programme tunes associated with Billie Holiday.

THE FINANCIAL TIMES 1981
SURVEY PROGRAMME FOR

LATIN AMERICA

Publication Date	Survey
*April 2	INTER-AMERICAN DEVELOPMENT BANK
*May 28	MEXICO
*June 8	VENEZUELA
*June 9	PANAMA
*June 29	LATIN AMERICA
August 4	MEXICAN INDUSTRY
August 10	ECUADOR
October 30	COLOMBIA
November 18	BRAZIL
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December 15	LATIN AMERICAN ENERGY

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Tuesday June 30 1981

Pay in the Civil Service

THE announcement that Sir John Megaw is to head an inquiry into the determination of Civil Service pay has done nothing in itself to mollify the Civil Service unions. It was hardly to be expected that it would, for they are concerned with what they regard as an arbitrary injustice this year, not some new system to rule from next year. For the moment, we seem to be on a familiar road. A Government gets tough over some aspect of public sector pay in one year, and calls in a judge to dignify its surrender in the next.

Principles

If history is not to repeat itself in this way, something more than broad terms of reference on pay itself may be required. The Government, which chose to abrogate the existing system of pay settlement — and decided rightly, in our view — needs to state more clearly the way in which it believes that the underlying principles concerned need revising.

A simple declaration that a new system must be "objective" is not enough: within its terms of reference, there is no reason to doubt that the old system was objective. The whole purpose of the Civil Service is to provide objective answers to what are, in the last resort, political questions, and the Pay Research Unit was a notable example of this kind of objectivity. The Government wants to change the questions which are posed.

The present impasse arose because the Government acted out of what it saw as fiscal necessity, while the Civil Service unions felt that they were being victimised simply because their pay award comes at the end of a round.

Protection

However, these are not the real issues. The Government, simply by appointing Sir John Megaw, has made it clear that it does not intend in the long run to make Civil Service pay a branch of fiscal policy; and the popular feeling which has robbed the civil servants of any outside support goes back much further than this year's squeeze.

The valid reason for suspending a system which dates back 25 years to the Priestley Royal Commission is that the world has changed fairly radically in the interval. In the mid-1950s it was assumed that, with proper demand management, full employment and job security would be the general rule. Now the economy is seen to be much less manageable. Protection against employment risks during working life and inflation risks thereafter now appears an enviable privilege.

The new inquiry might simply be asked to put a cash value on these privileges, and at the same time to take fuller account of local rather than national labour market conditions, which might be done through a heavy weighting for housing costs, and the need to reward efficiency.

This is probably what the Government hopes to achieve, and these questions are in all conscience difficult enough; but we would suggest that some more fundamental ones should also be raised. These go to the root of why special pay arrangements are thought necessary for civil servants.

Basically, there are two reasons. First, those concerned with executing Government policy should not be involved in adversary bargaining over their own incomes: and secondly, that vital services—whether in the Civil Service, the police or the emergency services and armed forces—should not be at risk to industrial disputes. For the same reasons, jobs are secure, and promotion semi-automatic.

Efficiency

The real cost of such a system is not so much the money involved—Civil Service pay is far from high in most grades—as in the fact that there is little pressure for efficiency, and this is what the general public really resents. In these circumstances, it is arguable that Sir John Megaw should not simply look into the system of pay determination, but its coverage. It is hard to believe that all the 360,000 people covered by the present system need be treated as vital or politically sensitive. Much of the work might be left to the operations of the normal labour market.

The real question, in short, is not so much civil service pay as pay determination in all vital services. It is when it is put this way that the Civil Service unions might understand why their disruptive action so undermines their claim to any special consideration.

Press freedom and government

IN THE END, the issue that occupied the Monopolies and Mergers Commission in its deliberations on the takeover of the Observer Newspaper by Lonrho was the character of Mr Tiny Rowland. It is just as well that Mr John Biffen, the Trade Secretary, has given himself a few days to reach a final decision on the conditions that should be attached to Mr Rowland's takeover of the newspaper. The Monopolies Commission has wrapped itself into a series of self-tightening knots over the issue of Mr Rowland's suitability to be the proprietor of a national newspaper. In doing so, it has recommended conditions that should attach to the merger which in our view represent a potentially damaging attack on Press freedom.

Suggestions

The commission has found that the Observer is losing money, and that a combination of Lonrho's management and financial resources would help the paper; that the risk of a reduction of competition in either the British or the more narrowly defined Scottish Sunday newspaper market is small; that, on the evidence available to it, Mr Rowland has not interfered with the accurate presentation of news or the free expression of opinion in either his African or his Scottish newspapers; and that, in any case, "we see nothing wrong in the making of comments or suggestions by the owner of a newspaper to the editor."

Nevertheless, "the possibility can never be excluded" that a conflict of interest could arise between, say, Lonrho's commercial interests in Africa and Observer editorial policy.

The commission therefore proposes that Mr Biffen should attach a series of conditions to the merger.

These include the appointment of six independent directors, drawn from the Great and the Good of British society, whose role, not to put too fine a point on it, will be to make sure that Mr Rowland behaves himself.

They should approve the appointment or dismissal of an editor and of each other; they should settle *any* dispute between *any* journalist and the Observer management on a range of issues including "remuneration within the annual budget of the editorial staff:" and just in case the independent directors do not know their job, the commission thinks they should "meet at least quarterly the editor and other journalists to discuss their work on the paper."

To anyone not working on a newspaper, the relationship between an editor and a newspaper owner, or between the commercial side of a newspapr business and the editorial department, is hard to understand. Just how much independence there is differs from newspaper to newspaper. Some papers have a long tradition, exemplified by Lord Beaverbrook, of proprietorial control of editorial policy.

Similarly, the safeguards that newspaper companies employ to ensure editorial independence differ from paper to paper. On the Financial Times, the independence of the editor is deeply ingrained in our traditions; on the Economist, independent directors hold a special form of share which gives them a controlling vote over certain kinds of decision.

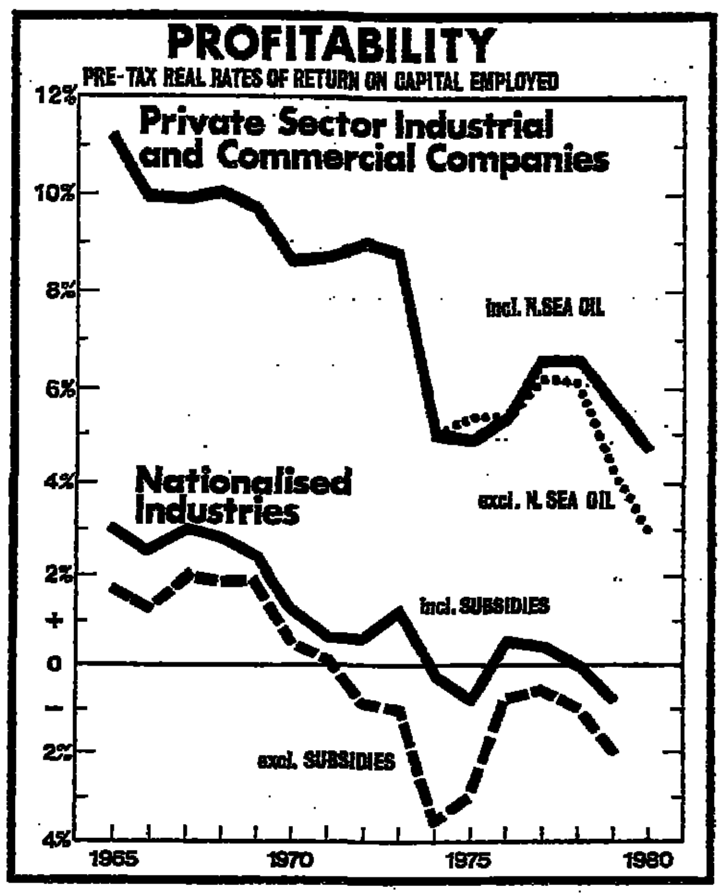
Assurances

Mr Rowland is apparently ready to offer Mr Biffen several assurances on editorial independence, and a substantial number of the editorial staff of the Observer is anxious to have them. Mr Biffen should invite the two parties to draw up their own system for making the delicate relationship between owner and staff work.

What he should not do is to impose those conditions himself. *This is not the business of* Government. If the newspaper industry accepts this kind of nannying from this Government, then it has only itself to blame if a future Government with different views on what constitutes "accuracy" and "free expression" imposes a quite different set of "conditions" on Britain's Press.

Clearing the lines of control

By John Elliott, Industrial Editor



Profitability is defined as gross trading surpluses plus rent received, less capital consumption at replacement cost and less stock appreciation, as a percentage of net capital stock at replacement cost plus the book value of stocks

WHEN the Department of Energy announced last Friday that it was issuing an instruction to British Gas to sell its Wytch Farm oil interests in Dorset, it was confronting in an unusually forthright and practical way the problem of the relationships between nationalised industries and Whitehall.

The chairman of some of the industries would like to see a permanent system set up for the Government to issue specific public directions on major items in place of the normal private arm-twisting and behind-the-scenes political infighting that characterise much of the industries' relationships with Whitehall.

In the case of Wytch Farm, the Energy Department was virtually dared by Sir Denis Rooke, the outspoken and controversial chairman of British Gas, either to come out into the open with a public declaration or to allow him, as he wanted, to keep his 50 per cent stake in the farm and its oil riches.

The idea of the Government taking legal powers to issue such directives, which would over-ride individual industries' legislative rights, was last mooted in a White Paper produced in 1978 by the then Labour Government. Some of the industries' chairmen objected because they did not think it would eliminate the political dog-fights. And then there was a general election. *The present administration,* believing in an arm's length relationship with the industries, quietly abandoned the idea soon after taking office.

Now the Government has had to accept that its early non-interventionist stance was unrealistic, first because it cannot divorce the economic and political significance of the industries from its own policies and secondly because it cannot let the industries go into liquidation. It learned this lesson painfully from both the actions of the miners, who earlier this year upset prearranged financial targets without too much evident objection from the National Coal Board, as well as from the more widespread impact of the recession on other industries. So the Prime Minister has asked her "think tank"—the Central Policy Review Staff—to see if better ways of managing relationships can be found for those industries which remain wholly in the public sector.

This coincides with two other inquiries that are being conducted into the industries' financing — and especially the treatment of their capital investment programmes (see panel). The select committee was set up by MPs scenting a controversial political issue and hopes to prepare its report within a few weeks. The NEDC working party (which may report to the council in October) stems from an inconclusive debate at the last meeting of the council when Sir Geoffrey Howe, Chancellor of the Exchequer, was unable during a debate on the interdependence of the public and private sectors, satisfactorily to rebut criticisms of the way the Treasury has been restricting investment programmes.

Between them the inquiries span the two major current problem areas. First there is the issue of whether the Government policies on the public sector borrowing requirement and the industries' own form of cash limits (called external financing limits) are holding up major investment programmes. These are urgently needed both by the industries for their own future efficiency and by suppliers and contractors in the private sector who are starved of orders. Secondly, there is the question of worsening general relationships.

Whitehall directives may not stop the political dogfights

Complicating the relationships is the Government's determination — shown by Sir Denis's Wytch Farm row to press on right to the next general election with privatisation initiatives. Ministers want to do this partly because they are ideologically committed to removing monopolies, to denationalisation, and partly because it helps to cut public spending. They are also becoming increasingly attracted by the hope that it will increase the competitive pressures on industries which have in the past been protected from many market forces.

But it should not be thought that these problems of the relationship between the industries and the Government are new. They have existed since Herbert Morrison, the Labour politician, first proposed the arm's-length principle in the 1930s for the embryo London Passenger Transport Board. What might have worked then for such a relatively small-scale and domestic business has however never been effective for the large national corporations that developed from the 1940s onwards and the industries have rarely all been happy with their financial allocations.

The relationships are under fresh strain, partly because the Government dislikes state ownership in industry and (as the Prime Minister made clear recently at the annual CBI dinner) would rather it did not exist. In addition, the industries' budgets have been squeezed, after a period of growth and relaxed regimes, by the Government's monetary restraints and the recession.

This has led to an argument with the Treasury about the way *it is stopping important* investment projects. At present, the Treasury is losing on points. The industries' chairmen have scored by making a lot of noise but, when pinned down, can only point to relatively few (though individually very important) problem areas.

The first is British Telecom whose investment programme was trimmed at the end of last year and then, after endless arguing about the possibility of finding finance for itself in the City, eventually had its external financing limit raised by £200m. Then, there is the British Rail electrification programme which is being allowed to go ahead in stages after endless political lobbying, so long as productivity improves. In addition the controversial £2.7bn gas gathering pipeline project, and the British National Oil Corporation's Clyde field developments, have been delayed in part by arguments over the way that the Treasury is prepared to allow projects to be funded and guaranteed by the Government.

But beyond these key projects (each of which, it is argued, would be profitable in its own right and would add considerably to the wealth of the country) relatively few other significant schemes have been held up. The Water Council has complained that big capital investment is needed in the nation's sewers and the Post Office has been denied £35m of investment it needs to modernise ancient offices and increase the pace of mechanisation. The electricity industry does not complain of any significant shortages and many other industries, when pressed, grumble more about the constant irritants of having to prune various forms of expenditure to meet specific targets than about major hold-ups.

But these constant irritants and upsets may be more important in the long term than the recent headline rows over telecommunication and railway investment. It is strongly argued in many quarters that the unsatisfactory relationships between individual industries, sponsoring Departments and the Treasury are crucial. It is also argued that the only reason more major projects are not battling for precedence at present is that the Treasury-dominated regime has driven them out of five-year plans so that they do not come up in the annual reviews.

Such issues have been quietly investigated during the last few weeks by Mr Robin Ibbs, head of the CPRS, who has been making private visits to some chairmen and Government Departments.

No-one seriously expects him to propose any dramatic changes such as putting all the industries back into Government Departments (as the old General Post Office used to be, with its own Minister and senior civil servant in direct charge). Nor is he likely to revert to the idea of creating supervisory boards to insulate industries' top managers from Government Departments—an idea that was considered and rejected by the last Labour Government and is unlikely to appeal to this one.

The Treasury would have to accept a more limited role

The Government is also unlikely to be attracted by the idea, often discussed, of forming a single Department of Nationalised Industries. Some senior civil servants, however, think the present system, where almost every Department (including the Scottish Office) has one or more nationalised industries in its charge, could be rationalised into perhaps two or three covering energy, general industries and, perhaps, transport.

This would fit in with another idea now being discussed—the separation of the Treasury's primary role as banker from the other Whitehall Departments' roles — as owners (on behalf of Parliament) of an industry. The other Departments might be encouraged to think and operate in the same way as major industrial holding companies, instead of trying to take macro-political and economic issues into account. They could even define their own roles more clearly in relation to their industries, leaving other civil servants and Departments to deal with the social and other consequences of their decisions.

As one senior civil servant put it to me: "The problem at present is that the industries are not controlled enough, but are interfered with too much." Another said: "I don't like all this second guessing that goes on. One needs strong chairmen who won't let that impede them, and one needs professional Whitehall monitoring like in a major company such as ICI or IBM."

Some people blame the Treasury for most of the problems, saying that it operates in secret with undefined rules and criteria, and without any industrial knowledge, interest or understanding. Others say the Treasury is no more obstructive than a banker ought to be with his problem investments and that it is the other Departments' blurred aims and constant interference that cancels out the motivation of top industry managers.

Because of these differing views, there is a body of opinion in Whitehall which believes that the criteria and rules of investment analysis and other decisions ought to be more clearly defined and structured so that understandable judgments can be made on practical grounds rather than as the result of some political power game.

The annual investment review (now in progress for the 1982-83 financial year) could well be the starting point for such a change and would help to generate a parallel development of separate banker and owner roles.

But there would be resistance to such changes, especially from those in Whitehall and the individual industries who have learned to run the existing rough political power game to their advantage. Some chairmen do not want rules defined and do not like the idea of open directives. They prefer to operate in a more political atmosphere: sometimes, as has been shown recently, boosting their monopoly or near-monopoly power in concert with their trade unions.

Ministers, too, would find it difficult to restrain themselves from interfering constantly in their industries' businesses for political as opposed to commercial reasons. The Treasury would also have to accept a more clearly defined and limited role. On the other hand, the Monopolies and Mergers Commission might carry out more inquiries to check on the stewardship of the individual Departments.

Whether any such changes come into force remain to be seen. In the meantime, the Government's inability to stay out of the industries' affairs has been well demonstrated, not least by the power games being played around British Gas.

CURRENT INQUIRIES

- The Central Policy Review Staff—the Cabinet Office's "think tank"—is conducting a rapid study of the relationships between the Government and those nationalised industries which will remain wholly within the public sector (although they may have some joint ventures with the private sector) when the Government's current privatisation programme has run its course. The Prime Minister hopes to receive a report in a few weeks from Mr Robin Ibbs, head of the CPRS, who is doing much of the work himself.
- The Commons Treasury and Civil Service select committee is conducting a series of public hearings into the question of nationalised industry financing, concentrating initially on the problems of raising funds for investment. It may produce a report on investment before Parliament rises for the summer recess in about a month.
- The National Economic Development Council decided a month ago to set up a "broadly based working party" on financing problems. Run by the Treasury, it is likely to be headed by Mr Bill Ryrie, second permanent secretary, and comprise representatives from the CBI, TUC, National Economic Development Office and the Nationalised Industries Chairmen's Group. It will probably concentrate on whether new methods of financing would release extra capital investment. It has not yet held a meeting but may report back to the NEDC in October.
- The Nationalised Industries Chairmen's Group has its own internal working party, headed by Mr Michael Posner, the economist, studying PSBR and other financial problems. It has had a joint study group with the Treasury looking at details of financing rules since early last year.

MEN AND MATTERS

Any takers?

Quis, as the Romans used to ask one another in school text-books, custodiet ipsos custodes? Or, in English, who takes over the Takeover Panel?

Graham Walsh completes his two years as director-general of the Panel today to return to Morgan Grenfell as head of corporate finance. His successor has not yet been announced.

Was that not, I asked Panel chairman Sir Jasper Hollom, perhaps chancing my arm a little with a former deputy governor of the Bank of England, somewhat careless? "I don't think so really," he soothed, "people do go on holiday after all. Deputies are there to deputise."

The Panel has two deputy directors-general, who serve on a permanent basis. The director-general, in contrast, is seconded to the Panel, for a term normally of two to two-and-a-half *years. The job traditionally goes* to a merchant banker, though an accountant, Martin Harris of Price Waterhouse, tok it in 1974.

The job of running the Takeover Panel has about it the paradoxical flavour of being a regulator in a free market. Harris described it as being "an umpire in a war game," and Walsh's spell there was as turbulent as any. Barely had he taken over when Labour trade spokesman Stanley Clinton Davis was decrying the Panel's "inadequacies," and St. Piran was busy delineating where they might be. The pugnacious little mining property group did, admits Walsh, prove the most time-consuming of his many concerns.

But despite the travails of his twenty-four months, Walsh stands by the City's right to run itself. "Self-regulation," he says, "reaches the parts which *other regulation cannot reach.*"

So who next? The appointment falls within the jurisdiction of the Bank of England, and an announcement is expected soon—though quite how soon, Hollom will not be drawn.

But while there may be suspicions about the successor, it is too early to point a finger. When a leak will offend not only your once and future employer but also the Bank of England, it is hardly surprising that the most common answer to my straw-poll yesterday was "even if I had been approached, I wouldn't tell you."

Off the shelf

Good news for the epicures of North Wales. Supplies of Roberts' meat pies and sausages, part of the region's staple diet for more than 50 years, are assured.

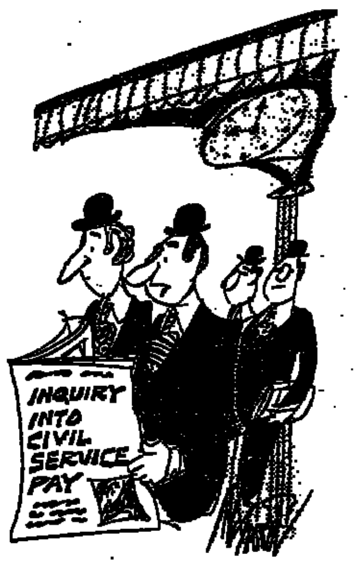
The future of the distinctively-flavoured delicacies from Port Dinorwic has been under threat since Lockwoods Foods called in the Receiver three months ago. Now managing director Wyn Roberts, whose father sold the family business, Roberts and Sons (Curers), to Lockwoods in 1970, has joined fellow directors Stuart Atkins and Ian Ellison in buying the company back.

Lockwoods, says Ellison, had virtually left the company to do its own thing after acquiring it. "They took its remittance without putting an awful lot back."

Perhaps not such a bad thing in retrospect. While expatriate chairman Philip Lockwood was reporting "further progress expected" . . . . "progress in a difficult year" . . . "cautious optimism" . . up to the £3.2m loss and 3.2 minute annual meeting that preceded the parent company's receivership, Roberts was increasing its sales by a third to more than £3m.

Though 60 per cent of its products are still eaten at home, so to speak, the rest are now enjoyed under other names in London, Liverpool, Bristol and Birmingham. "There's a great deal of rubbish in the trade," says Ellison. "But we've never been tempted away from our traditional ingredients and customers have stayed satisfied."

Gutter press


INQUIRY INTO CIVIL SERVICE PAY

"Now I suppose they won't be satisfied unless it is held in triplicate!"

As I wended my weary way to Bracken House yesterday morning, a poignant sight awaited me on the corner of Paternoster Row and New Change. Not an hour previously, I had been reading in the morning papers of the bold new offer for sale by Charterhouse Japhet of shares in electronics company Memec. And here, cluttering the gutter and overflowing the Charterhouse dustbins, were piles of the glossy new Memec prospectuses, wantonly discarded. An omen? Perhaps even something sponsored by the Arts Council?

Charterhouse's Bruce Fireman was quick to put me right. Had I arrived at my eyrie a little earlier, he observed somewhat unkindly, I would have seen not a pile of obsolete paper but a queue, forming since 7.30 am, of brokers hungry for the Memec goodies. No less than *35,000 copies of the prospectus* had been shifted from the London bank by afternoon, with the balance of the 50,000 print run going to the provinces and the company itself.

The rules of the game are that an equity application form cannot be supplied without a supporting prospectus — even though, in cases such as Memec, a decent prospectus can cost 50p a copy to produce. The uncultured stags, however, care little for the acres of fine print and, having secured the application form on page 24 do not care to weigh down their subsequent wanderings through the City with the other 23 pages.

As a result, explains Fireman, my own sighting was far from unique. The bank received a number of telephone calls through the morning from concerned members of the public

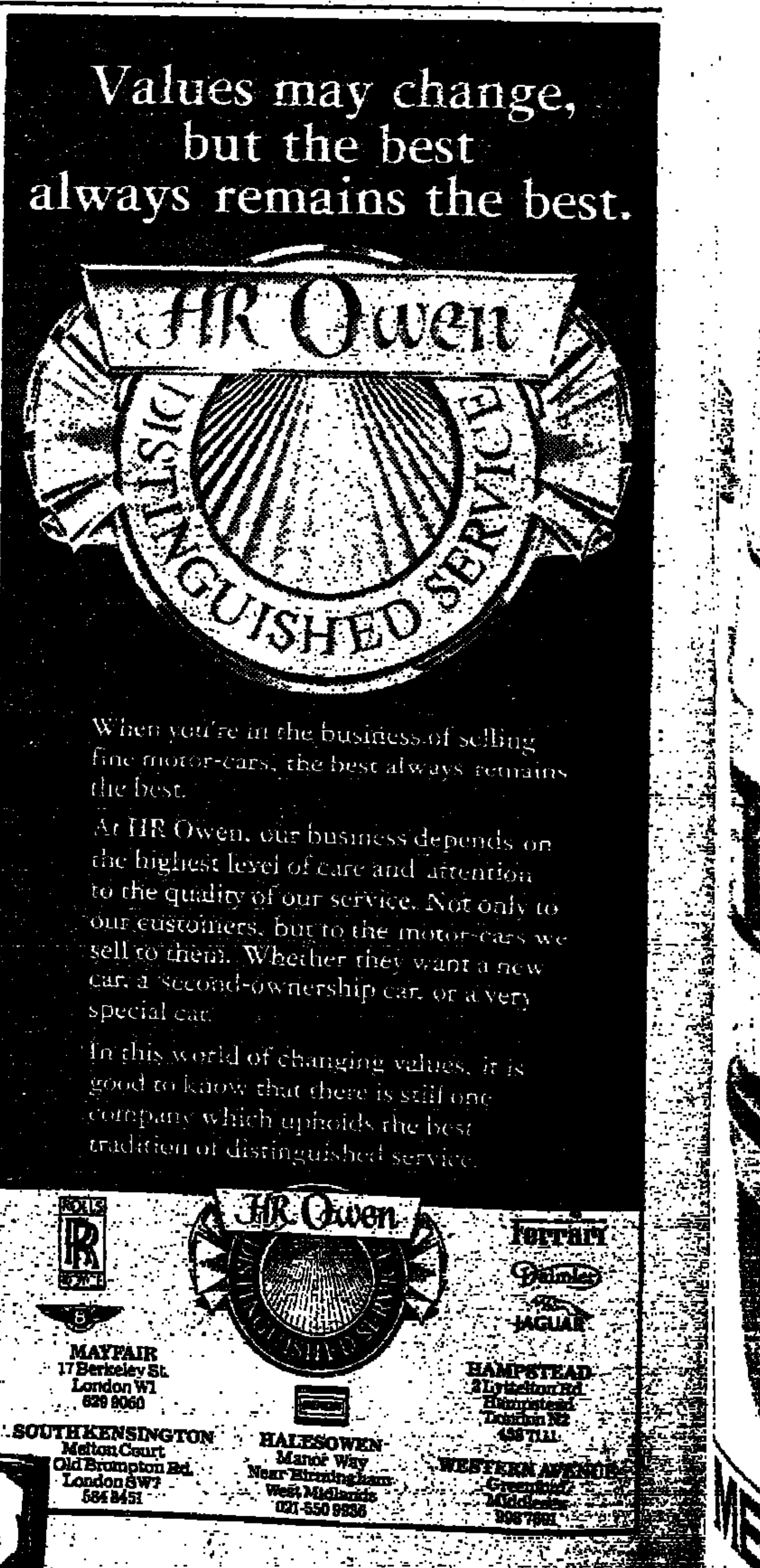
Once bitten

Oliver Twist would feel quite at home, I gather, in the directors' dining room of one City merchant bank which must remain anonymous. Gone are the avocados filled with plump prawns, the Dover soles and groaning cheeseboard which delighted many a well-rounded financier. Instead, luncheon limps from soup through a choice of one hot or two cold dishes—"including some pretty strange stews"—with the odd apple to close the proceedings.

All of which might, of course, not be unconnected with the notion that the Inland Revenue might have been thinking of presenting a tax bill for benefit-in-kind to directors for their luncheons. The taxmen were recently invited to sample the fare in question and, reports a director of the bank, "after they had eaten, they agreed that our lunches were not a benefit."

Moor or less

A colleague tells of sharing the delights of the Alhambra at Granada with a troop of blue-rinsed American matrons. "And do you know," one asked of her friend, "that all this was built by the Arabs?" "I guess," came the reply, "that they have to do something with all that oil money."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FINANCIAL TIMES SURVEY

Tuesday June 30 1981

Vans and Light Trucks

Falling sales, rising costs of production, growing Japanese penetration and increasing competition for the European market add up to a bleak outlook for the industry. Manufacturers have responded, however, by producing new vehicles, relaunching popular models and co-operating on joint projects in an effort to stave off the market's worst effects.

Spirited rivalry in a grim climate

By Kenneth Gooding

Motor Industry Correspondent

COMPETITION is building up at the light end of Europe's commercial vehicle market. It is centred on the purpose-built (as *against the car-derived*) van market.

Ford has for the past couple of years retained leadership of the commercial vehicle business in Europe—in terms of units sold. Its performance has been bolstered in particular by the Transit van, the best-selling commercial vehicle in Europe *with sales totalling 122,900 in* 1980.

However, the other European groups are now fighting back. Mercedes and Volkswagen, with the benefit of the biggest "home" market for medium vans (sales reached 143,000 units last year), have during the past couple of years introduced *replacements for rather old* vehicles. Mercedes has a new Bremen van and VW replaced the 30-year-old Transporter.

Iveco, the Fiat subsidiary, introduced the Daily van. More recently, Renault launched its Trafic/Master range: vans specifically designed to appeal to a *wide cross section of European* markets. The impact in Renault's home market, France, has been little short of sensational. Last year, with only the final three months' benefit from the newcomers, Renault took just under 22 per cent of total van sales. In the first two months of 1981 its penetration leaped to 38 per cent and during March and April the new range achieved 50 per cent of French van registrations.

Renault's rivals believe this augurs well for the Trafic/Master range in other countries. *The immediate success reflects* the wide variety of vans offered and the good availability Renault has ensured from the launch date.

These lessons will certainly be studied by Fiat and Peugeot which have a *jointly* developed van range ready to be launched at the end of this year in Italy and France and early in 1982 in other European markets. Known so far as the Fiat 238, the vehicle is being produced from components supplied from Italy and France by a joint Fiat-Peugeot company called SEVEL which has a brand new £153m plant in the south of Italy.

Fiat's version will be called the Ducato. Peugeot and its Citroen subsidiary will also sell the new vehicle in large numbers.

The 238 or Ducato will give Fiat the chance to recapture *lost ground in the Italian purpose*-built van market. Ford's Transit has gained a 30 per cent share and Bedford's CF van also does well in Italy because they can offer diesel-engined versions whereas so far Fiat has not.

Fiat has overcome its shortage of diesel engines for cars and *light commercials via another* joint project, SOFIM, an organisation which makes diesel engines of 1.8 litres, 2.4 litres and 3.6 *litres* at another new plant, again in southern Italy.

The SOFIM venture began as *a partnership between Fiat,* Renault and Alfa Romeo. Alfa pulled out of the partnership by reducing its holding to a nominal 5 per cent when it decided to use the VW Golf diesel for its cars instead of *a SOFIM engine. And, only* last month, Renault also indicated that it wanted to sell its SOFIM stake to Fiat, giving as its reason its dislike for having minority shareholdings and lack of management control in any company.

However, Renault will remain a very good customer of SOFIM, *taking diesel engines from that* company for the Trafic/Master van range.

Further into the future—but not all that far away—there is the prospect of Japanese vans being made in Europe. Nissan, *the Datsun group, has acquired* a 36 per cent stake in Motor Iberica of Spain, and intends to use the company for the production of compact vans and four-wheel-drive vehicles based on its Patrol four-by-four.

All this activity suggests that Ford might well be wishing it had moved ahead a little faster with a replacement for the Transit. But the group decided that another 16-year-old range, the D-series trucks, needed *replacing first. After all, with* the benefit of "facelifts," Transit sales have been stronger *than ever. The indications are,* therefore, that the Transit replacement, dubbed the Trident, will not be ready until 1986-87 by which time the European commercial vehicle scene could be looking very *different.*

Apart from the possibility that Nissan will be joined in Europe by other Japanese groups, in the more immediate future we have still to see what will be the outcome of the *links just forged* between Renault and Peugeot. Renault's commercial vehicle offshoot, RVI, has taken a 50 per cent shareholding in Dodge Trucks, previously a wholly owned Peugeot subsidiary.

Dodge's main successes so far have been at the lighter end of the commercial market with *its British-built vehicles. It also* has a heavy truck facility in Spain.

Fortunately for the current combatants, the medium van market is the one which is predicted to show the greatest *growth among* all commercial vehicle sectors.

"The experience of the last two years shows that the market for light vehicles is not satiated," said the Economic Models consultancy group in its latest Euro Trucks Forecast Report. "Looking at the sectors of the market which offer most potential, our forecasters suggest clearly that significant growth of the parc can only occur at the light end of the market.

NEW REGISTRATIONS FROM SIX MAJOR EEC MARKETS
(Belgium, France, West Germany, Italy, Netherlands, UK)

Gross vehicle weight	1979	1980	1981	1982	1983	1984	1985	1986
Light vans up to 2 tons	326,229	313,000	262,849	276,588	302,849	308,672	311,576	313,098
% change	10.5	−4.1	−16	5.2	9.5	1.9	.9	.5
Medium vans from 2.01 to 3.50 tons	449,123	467,294	398,112	400,795	441,574	456,376	452,523	438,532
% change	10.6	4	−14.8	.7	10.2	3.4	.8	−3.1
Light rigids from 3.51 to 7.50 tons	87,021	77,079	69,503	75,743	85,943	84,630	81,021	81,402
% change	11.3	−11.4	−9.8	9	13.5	−1.5	−4.3	.5
Medium rigids from 7.51 to 15 tons	49,667	48,628	44,300	49,832	53,341	51,082	50,123	49,434
% change	4.7	−2.1	−8.9	12.5	7	−4.2	−1.9	−1.4
Heavy trucks above 15.1 tons	120,121	109,208	95,270	110,997	122,364	123,364	120,557	119,964
% change	10.4	−9.1	−12.8	16.5	10.8	.3	−2.3	−0.5
TOTAL MARKET*	1,032,964	1,018,310	870,635	915,067	1,007,584	1,023,027	1,015,029	1,001,930
% change	10.6	−1.4	−14.5	5.1	10.1	1.5	−0.8	−1.3
Of which 3.50 tons and below	775,352	780,294	660,962	677,384	744,423	765,048	764,098	751,630
% change	10.5	.6	−15.3	2.5	9.9	2.8	−0.1	−1.6
Of which 3.51 tons and above	256,783	234,916	209,673	236,973	262,239	258,678	251,730	250,800
% change	10.5	−8.5	−10.7	13	10.7	−1.4	−2.7	−0.4

*Some marginal adjustments have been made between various weight categories.

Source: Economic Models.

"In particular the medium van parc is expected to grow *partly at the expense of lighter* vans. This result contradicts the view that the market in Europe is now fully developed and that the only demand is replacement demand," suggested the report.

"During the past two years van parcs (the numbers still on the roads) grew throughout Europe. But this growth need not be linked to vans actually accomplishing more work.

"Indeed the most likely outcome is that they will cover fewer miles and be used less intensively as parcs grow. The prime example of this would be the recreational vehicle, covering only a few thousand miles a year," said Economic Models.

Using information supplied by commercial vehicle and component makers plus its own macro-economic forecasts and judgments, Economic Models provides forecasts for various commercial vehicle sectors in the six major Common Market countries—Belgium, France, West Germany, Italy, the Netherlands and the UK.

It suggests that this year registrations of light vans up to two tons in those markets will drop severely, by 16 per cent *from 313,000 to 262,849.* There should be a recovery to 276,588 (5.2 per cent) next year and then a steady upward climb.

For medium vans (between 2 and 3.5 tons) in the main EEC markets the forecast is for *a fall of nearly 15 per cent this* year from 467,294 to 398,112. Again there should be a slight rebound next year, to 400,795, and growth thereafter until 1985 when another decline begins.

Light rigid commercials of between 3.5 and 7.5 tons are predicted to experience a near *10 per cent drop from 77,079 to* 69,503 this year but to bounce back vigorously next year to 75,743 (up 9 per cent). The next decline starts in this sector in 1984, according to Economic Models.

Explaining why its *1981* forecast for light and medium vans was bleaker than for heavier sectors, the consultants said: "This follows a year when sales actually improved slightly (especially in the 2 to 3.5 tons class) on record 1979 figures.

"As households share more of the burden of the recession and disposable income falls, the decline in van sectors will be concentrated in 1981. Given the recent very heavy sales and a youthful parc the revival of the van market will be delayed until 1983."

The Economic Models esti-

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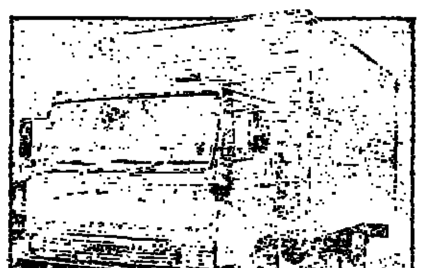

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IVECO

Shift in trend leaves behind bleak market

The Bedford van—1981 is the 50th anniversary of Bedford making trucks and it continues to hold a steady third place in the market for car-derived vans

CAR-DERIVED VANS AND PICK-UPS

JOHN GRIFFITHS

LIGHT VANS derived from passenger cars can provide welcome additional throughput on manufacturers' assembly lines. (Conversely, with their lower profit margins, they can be a nuisance when car markets are booming.) They are certainly welcome this year, at a time when UK demand for cars is expected to fall to 1.38m, some 330,000 below the 1979 record.

Inevitably vans, too, are vulnerable to the effects of recession and after holding up better than expected in 1980—although 20,000 down on the record 92,500 of 1979—sales this year are expected to drop by a further 10,000 to the 64,000-65,000 level.

The heydays of the car-derived van were in the late 1960s and early 1970s. Since then, two things have happened to depress sales. First, the switch from purchase tax to VAT removed a big incentive for private buyers to acquire them—they were not eligible for purchase tax.

Second, and of rather more significance to the future, there is a trend emerging among High Street and other small businesses, which are now their main users, towards purpose-built vans. "Microvans," a sector virtually invented by the Japanese and of which the Honda Acty van is probably the best-known example, are absorbing some car-derived van sales; others are being mopped up by the smaller of the "panel" vans, typically with a 1-ton payload, a sector into which a number of manufacturers are crowding with new products.

The situation in the car-derived market is bleaker in the UK than elsewhere in Europe: Ford forecasts that the drop in the UK market will equal in size that of the whole of the rest of Europe. Total sales, in 14 European markets including the UK, are expected to fall by 20,000 units to around 317,000.

There are wide differences, however, between major national markets, both in terms of sales performance and the appeal of the car-derived van. West Germany, for example, virtually ignores them; opting instead for purpose-built vans such as Volkswagen's Transporter, which in its 30-year life has sold in greater numbers than any other commercial vehicle. About 9,000 car-derived vans are expected to be sold this year, slightly down on 1980, although Ford hopes that its new front-wheel drive, Halewood-built Escort van launched in February might stir fresh interest.

Spain is expected to be about 10,000 down, at 34,000 although registration statistics are poor and tariff barriers make it a tantalising but inaccessible, market to most manufacturers pending its accession to the EEC (1984 at earliest, and then with a likely five- or six-year transition period). There is a notable exception in Ford, which makes its Fiesta van in Valencia.

France is much the largest single market, with sales dominated by domestic manufacturers Renault and Peugeot. The light van market held up rather better than expected last year at nearly 160,000 units, about 2 per cent above the 1979 level. Forecasts vary on how big the downturn will be this year. Industry estimates fluctuate between 9,000 and 14,000, but there is agreement that a downturn there will be as France moves, later than most other European countries, into recession.

Only in Italy is there expected to be further growth, by about 1,500 to 22,000 sales. This is partly because of Italy's surprisingly well-sustained economic performance, reflected also in a buoyant car market. It is also partly because of Fiat's decision in 1978 to launch a commercial based on its then best-selling Fiat 127 small hatchback model, the Fiorino van and pickup. It has a large square box grafted on to the 127's cabin, and carrying capacity well above the norm for smaller car-derived vans. It has made some impact in markets elsewhere, Fiat's share of the UK market, for example, rising from 1.25 to 4.1 per cent.

In the longer term, Economic Models predicts that demand in the UK will recover slightly next year and move towards a peak—but only of about 75,000 vehicles—in 1984, ahead of the next expected cyclical downturn in vehicle markets.

In Britain the market continues to be led by Ford. In the first four months of this year, and despite the delivery drivers' strike in the spring, its Escort and Fiesta vans have taken 38.9 per cent of sales, with the new Escort predominating and outselling the imported Fiesta van by about 8 to 1. BL so far has captured 29.92 per cent, about two-thirds of sales coming from its Ital-based 440 and 575 vans and pick-ups, the remainder from its Minivan, which continues to outsell more modern small rivals such as the Fiesta.

Thus Ford has stretched its lead somewhat from the 2½ per cent or so lead it held over BL in 1980. The trend is likely to continue, until such time as possible derivatives of more modern BL cars, notably Metro, might appear.

Bedford, which this year celebrates its 50th anniversary of making trucks, continues to hold a steady third place with about 17½ per cent of the market and sales last year of 14,492. Its range comprises the HA 110 and HA 130 models, based on the very earliest Viva models to be launched, together with the Chevette-based Chevanne. A key question will be what happens to the Chevanne when, as expected in 1983, the new General Motors S-class small hatchbacks start to appear from its plant in Zaragoza, Spain, now under construction. In the meantime, however, the three British makers continue to hold traditional importers well at bay and retain about 84 per cent of total UK sales.

With the notable exception of light pick-up trucks, where Japanese importers have very few domestically-produced rivals, significant shares are held only by Fiat and Talbot, although each has only a little over 4 per cent. Talbot is ranked as an import because its contender, a van based on the obsolete Simca 1100, is produced only in France.

Peugeot has made some gains with its 404-based vans and pick-ups, but the once-feared Japanese challenge is fading. Datsun's Sunny-based van has lost ground and Japanese attention has switched instead to the higher-value, purpose-built van market.

Part of the reason for the failure of imports to make any significant inroads—indeed they have retreated slightly from the 20 per cent-plus level recorded in 1978—is that car-derived vans in a sense still do not "travel well." National markets tend to be idiosyncratic, with user needs and preferences varying considerably. For instance, the Renault 4 van may be France's best-seller, but in English eyes its odd looks and Gallic character have led to it managing only about 2 per cent of UK sales.

Growing threat of imports

PANEL VANS

JOHN GRIFFITHS

SUDDENLY THE market for purpose-built panel vans—with gross weights ranging up to 3½ tons — is looking very crowded. It is much the single biggest commercial vehicle market in Europe, with sales forecast for this year of 645,000, and most manufacturers, Japanese included, have decided they want a bigger slice of it. The market leader, the Ford Transit with 122,900 European sales last year, must now start to look over its shoulder.

Two notable events in the past few months are serving to step up the pressure.

In May, Renault launched its new Trafic and Master panel vans in the UK, the former competing in the one-ton payload (1.5 tons gross vehicle weight) market, the latter in the up to 3.5 tons gvw sector. Between the two, developed at a cost of £160m at a new factory at Batilly, a huge part of the market is covered. The total number of versions is 78, both front- and rear-wheel drive.

Renault has started by offering 14 versions in the UK, building up to 31 by April of next year. It has a target of winning 3,000 sales this year out of an expected total of 91,000 UK sales, and hopes for 7 per cent of the market in 1982. In addition, it is marshalling the resources of its entire car network—about 450 dealers—to sell the vehicles, in addition to selected outlets of its commercial vehicle network.

Since going on sale in France last autumn, the effect on Renault's share of an admittedly highly chauvinistic market has been dramatic: from 22 per cent of the market based on its earlier Estafette model sales, Renault's share has leaped to about 50 per cent.

Renault can hardly expect the same to happen in the UK, but it does believe, for example, that the Transit "can be knocked off its perch through complacency and by the cumulative inroads of others," in the words of one executive. It is Renault's strategy to start eating into the shares of the smaller, more vulnerable makers.

To the Renault debut must be added that of Mercedes Benz, which two months earlier launched itself into that sector of the UK panel van market which, mainly through the inability to supply its Bremen factory, it had hitherto ignored: petrol vans.

About 15,000 of its 207/307 Bremen diesel vans, spanning 2.6-3.5 gross vehicle weights, have been sold since a re-styled version was launched in 1977, and they account for about 20 per cent of diesel van sales. In the UK, however, the diesel sector accounts for only about one in seven of panel van sales —thus with its 208 and 308 petrol vans it is in a position to tap a much larger segment of the market.

Despite the expensive aura surrounding the Mercedes car range, the Mercedes commercials start at £5,194, about 8 per cent above similarly equipped Transit prices. Mercedes' pricing, naturally, has been helped by the strength of sterling and, as one rival manufacturer executive admits, "people have not quite got round to realising how competitively priced they are."

Like Renault, Mercedes is also planning to sell the vans through some of its 100 car outlets in addition to its commercial vehicles network, which previously had been kept entirely separate.

Meanwhile Iveco, the Fiat commercial vehicles group, is to launch a revised version of its Daily panel van in the UK early next year in the up to 3½ ton range—it was unveiled at the Turin show—complementing Iveco's "Z" range panel vans which go up to 7.9 tons and are the largest on the market. In addition, Fiat's joint project with Peugeot to produce what will be the 238 "Ducato" panel is expected to arrive in the UK some time next year.

Add to that the growing Japanese presence and the traditional strength of the VW Transporter and LT range — which has nearly 9 per cent of the market for vans proper and it is easy to understand why competitive pressures are growing.

According to the Society of Motor Manufacturers and Traders, the Japanese took nearly 26 per cent of the sector in the first four months of this year, against 17 per cent in 1980. However, these figures include products for which the UK and most European manufacturers have virtually no rivals: the one-ton pickup and the small purpose-built "microvans" exemplified by the Honda "Acty" van.

About 11,500 such vehicles were sold in the UK last year and there is every sign that while the medium-van sector overall is contracting sharply this year, sales of microvans and pick-ups will continue to accelerate—in the first four months nearly 4,000 have been sold.

Last year the total UK sales in the sector, just under 118,000, bucked the trend in virtually all other vehicle sales and increased marginally on 1979, but by half way through the year, the first signs of a downtrend were showing up. In 1981 it has accelerated sharply, and a *fall of 27,000* to about 91,000 is forecast for the year. This accounts for virtually all of the predicted 30,000 drop in the total European market this year from 1980's level of 675,000.

The size of the fall is showing clearly in sales so far this year, down from 44,000 in the first four months of last year to about 30,500 in the latest four-month period. There are some distortions, notably a Ford sales campaign for the Transit at the end of last year pulled a lot of sales forward, which has a substantial impact because the Transit is the clear market leader. It had about 36 per cent of total sales last year, rising to half the market in December. It is this which accounts for Ford's relatively low share so far this year of just below 26 per cent.

British products still account for about 70 per cent of sales, if microvans and pick-ups are left out of the equation, with Bedford last year holding a marginal lead over BL, with shares of around 12 per cent. Bedford sold just under 15,000; BL a couple of hundred fewer. So far this year, however, BL's sales have slipped to about 8 per cent, while Bedford's have moved nearer 14 per cent.

Clearly, at a time when the threat from imports—and not just from Japan—is growing, none of the UK makers can afford to be complacent. In the short-term, they have reacted by introducing cheaper, more basic versions to suit a market in which rising unemployment, a slowdown in average earnings and depressed consumption has cut down users' purchasing ability. Ford has introduced the Transit Popular, while BL has just hived its Sherpa operations off into a new division, Freight Rover, the first fruits of which are the "City"—two cheap versions of the Sherpa, one of which comes only in primer to save the cost of re-painting in a firm's livery.

In common with importers, a number of easier financial packages are being offered, including no-deposit extended payment schemes.

Rivalry in a grim climate

CONTINUED FROM PREVIOUS PAGE

mates are in line with those from the industry covering 14 European markets. These suggest that sales of car-derived vans in 1981 will drop by about 20,000 to between 316,000 and 317,000. The only markets expected to show any improvement on 1980 levels are Italy, where sales could go up about 1,500 to 22,000, and Austria, where a change in the legislation should double the registrations of car-derived vans to 5,000. Under the new Austrian legislation only purpose-built commercial vehicles will escape tax—previously users could claim that ordinary cars were being used as commercials.

For medium commercials, that is those up to 3.5 tons but excluding car-derived vans, the industry estimate is that sales in the European countries will drop by 38,000 to 645,000. The bulk of the decline will be felt in the UK where sales are predicted to *slump* from 130,000 to 103,000.

This steep slide has already been reflected in the first four months of the year and caught the importers of Japanese vans on the hop. In view of current political arguments, their market share has shot up to an embarrassing 22-24 per cent.

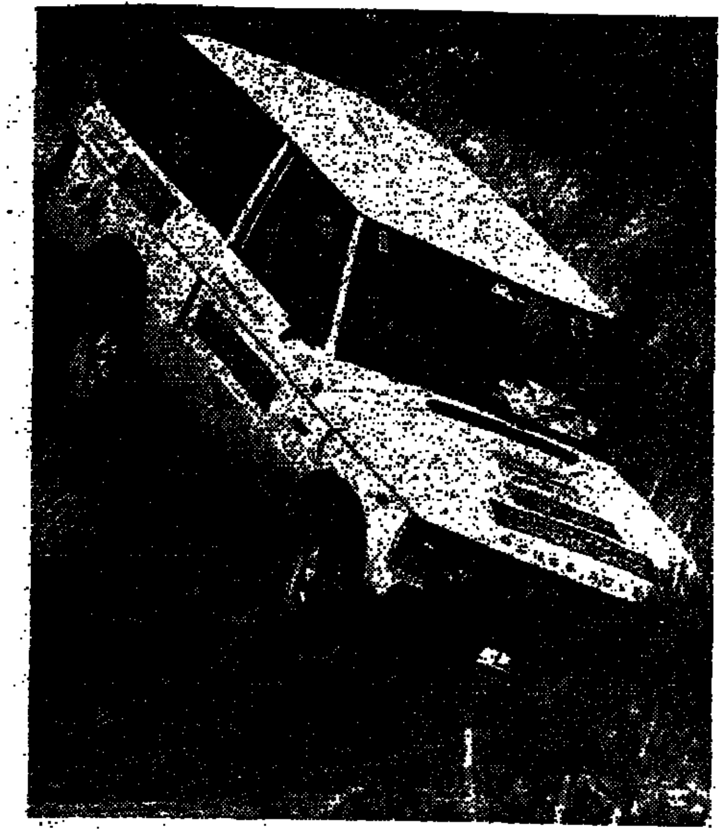
The Japanese are doing very well with their light commercials in other European markets, too. In West Germany, for example, they captured nearly 8 per cent of the medium van market so far this year against 4.7 per cent for the whole of 1980.

The Japanese have found gaps in the European commercial ranges with their microvans (known in the industry as "throw-away" vans) and with 1-ton pick-ups.

The pick-ups have, to coin a phrase, picked up business from the purpose-built vans because of price — £600 to £700 cheaper in the UK, for example. Evidence shows than van-owners seldom use the full load-carrying capacity or the space available, so the smaller capability of the pick-up is no drawback.

In Britain, BL can offer only a half-ton pick-up. Bedford, saying that the volumes do not make local assembly worth while, is importing a 1-ton pick-up fully built-up from Isuzu in Japan. (Bedford is owned by General Motors, which has a one-third stake in Isuzu). Ford is unlikely to ignore the growing demand for 1-ton pick-ups.

Whatever the future shape of the industry or the potential new competition, however, the manufacturers know with certainty that the light commercial vehicle sales will be pretty dreadful for the next year or so. They are gritting their teeth and doing their best to ensure they emerge unscathed from this bleak period.



This turbo-charged Range Rover took the major honours in the 1980 New Beaujolais Run during which it travelled over a number of rough, off-road routes. Improved availability of Range Rovers has helped to maintain strong demand for them abroad

Pressure to produce a 'world truck'

3.5 TO 7.5 TONS

JOHN GRIFFITHS

WITH THE launch of the General Motors J-car in the U.S. recently and its debut in Europe in the autumn, the concept of the "world car" (that is where very similar vehicles are made from components manufactured in maximum quantities all over the world) *will at last have arrived in a* well-developed form.

The medium-weight panel van cannot match that idea but it has at least become "international" in that virtually identical vehicles may be exported to a wide range of markets. This is not the case, however, with trucks "proper."

General Motors is working on the problem. Using its Bedford vehicles subsidiary in the UK—Bedford has been entrusted with commercial vehicle development in Europe in the same way as Opel has been entrusted with cars—it started last year on a "world truck" programe aimed at trucks being manufactured and sold in the same way as its world car.

The problems facing GM are formidable, however. They were well illustrated earlier this year when Ford unveiled its "Cargo" medium truck. This is an all-new vehicle, Ford's most important commercial since the launch of the Transit van 16 years ago and it is intended to win for Ford a much larger share of the European truck market.

Mr Peter Nevitt, director of Ford's truck engineering, pointed out that in order for *the Cargo to gain entrée to its* planned European markets, no less than half a million pages of documentation were required in order to meet all the respective national legislatory requirements. This documentation was needed despite Ford's peculiar advantage in having national sales organisations in each main market, staffed mainly by *nationals of the* respective countries who may possibly have an easier working relationship with governments than other importers do.

There are any number of reasons why it is so difficult to achieve a "Eurotruck," let alone a "world vehicle," particularly in the lighter weights—that is, vehicles with gross weights of between 3.5 and 7.5 tons.

One of the most important is the way in which thresholds at which a heavy goods vehicle licence is required vary. The mark is 7.5 tons in Britain, but tends to be pitched at the 6-ton mark in some major European markets. There is also an operator's licence requirement above 3.5 tons, so the market has tended to polarise around these two thresholds.

In addition, national opera*tor needs and preferences vary* widely. The lighter trucks are not generally used internationally. Most of the time they are engaged on many kinds of stop-start short haul work, which is why they are such a valued market for specialised body builders. MAN/VW, for example, says 20 per cent of the trucks it supplies in the sector are in chassis cab form only, while the proportion for Ford is estimated to be approaching 40 per cent.

Yet the pressures of rising costs and the need for maximum economies of scale dictate that ways must be found to bring the Eurotruck into being. And this need is being strengthened although, given the labyrinthine workings of Brussels, not hastened by the inevitable arrival of EEC legislation "harmonising" such areas as emissions and safety.

The sheer cost of bringing such European models to markets means that in some cases it is necessary to collaborate in order to compete effectively. The latest example is the acquisition by Renault *Vehicles Industriels of* 50 per cent of Dodge, the commercial vehicles arms of Peugeot. RVI has a limited presence in the UK and Spain whereas Dodge is similarly limited in Europe. The amalgamation of the two operations should lead to a rationalised product range and eventually plug a perceived gap in the 6.9 tons sector

The other notable example is *MAN and VW, who are con*tinuing with the consideration of their marketing operations for commercial vehicles in Europe and who jointly make the MT range of trucks, sold in the UK in weights between 6.5 and 9 tonnes.

MAN and VW are together seeking a bigger share of the European 3.5-7.5 ton truck market, which is forecast to drop from 77,079 in 1980 to 69,503 this year, before climbing back up to 75,743 next year.

In the UK at least, the importers have a long way to go before they catch up with the domestic manufacturers. Ford is the clear market leader, with over 35 per cent. This was shared between the "A" series trucks and the heavier "D" series, but the new Cargo is being made in weights down to 6 tons, and may restrict the future for the "A" series model. There are suggestions that Ford may eventually opt simply to produce larger versions of the Transit, in chassis cab form, to close the gap up to the cargo.

Bedford, which introduced its TL range just over a year ago, and this year celebrates its 50th anniversary as a truck manufacturer, occupies second place in the market, with Leyland Vehicles — also planning new vehicles for the sector to be built at its Bathgate plant—in third. Dodge, which has been increasing sales steadily with its Commando range, is in fourth position and only then do the importers appear, led by Mercedes Benz followed by MAN/VW.

In the UK, Economic Models expects the market for vehicles between 3.5 tons and 7.5 tons gross to decline this year by 5.7 per cent to 19,031 units. It does, however, expect to see a substantial recovery next year, of 22.7 per cent to 23,350, although admittedly from a very depressed level. Thereafter, it expects to see growth maintained well past the next likely cyclical downturn for other vehicles. By 1986, it forecasts, annual sales will reach 29,139, representing growth over 1981-1986 of 8.58 per cent, outmatched only by that forecast for the extra heavy duty market.

In its forecasts, however, Economic Models makes two *important assumptions. One is* that the under 7.5-ton truck sector will continue to account for increasing share of the two-axle carrying capacity below 14.5 tons. In terms of sales, the 3.5-7.5 sector has in any case been growing rapidly—at least until the recession—while the growth in carrying capacity has been less pronounced but is still quite strong. Economic Models forecasts that by 1986 nearly one-third of *two-axle carrying* capacity will be concentrated below the 7.5-ton mark.

The trend is obvious in the figures since 1960. In that year a total of 65,000 two-axle rigids were sold (those covering up to 14.5 tons), falling steadily to 53,000 even in the boom year of 1979.

Against the predicted strong growth of vehicles below 7.5 tons, the 7.5 to 14.5 tons sector is expected to grow by an average of only 1 per cent.

A rather different pattern is forecast for other main European markets. In France, the 3.5-7.5 tons sector is expected this year to fall by 3.5 per cent to 7,163, climbing to 8,382 by 1984, and then contracting slightly over the next two years. In West Germany, the largest markets for such trucks, a sharper fall is forecast for this year of 14.5 per cent to 33,015, reaching a peak in 1984 of 37,815.

Identifying precise trends in Italy is rather more difficult, because it is here that the legislative cut-off point for an operator's licence, which is 6 tons—*makes statistical analysis diffi*cult. Taking the definition of the market as being up to 6 tons, one emerges with forecast sales this year of 6,942, a very slight gain on 1980, as a result of Italy's surprisingly well-sustained economic performance which has had beneficial effects across the entire Italian vehicles market. Thereafter the predicted performance of the up to 6-ton sector is patchy, with the *peak forecast happening as* early as 1983 when 7,992 vehicles are expected to be sold.

The market with perhaps the biggest potential is Spain, still protected by tariff barriers which, however, must be lowered after its accession to the EEC. This may take some time. And even if it were to accede in 1983 or 1984, it is likely that part of the deal will mean a five- or six-year transition period.

Foreign rivals carve a slice of the market

FOUR-WHEEL DRIVE

LORNE BARLING

THE COMMERCIAL use of four-wheel-drive vehicles in Britain generally falls outside normal business activities, such as deliveries and freight movement, but nevertheless there is a growing market for this type of vehicle from the construction industry, farming, police, forestry and activities which involve off-road use.

Until recently this sector was completely dominated by Land Rover, but over the past few years the delays in obtaining Land Rovers have allowed a number of foreign competitors, namely Japanese and American, to obtain a foothold in the market. Although the Japanese vehicles such as Subaru and Daihatsu are far lower in price, this factor has clearly helped their marketing campaigns.

However, since the introduction of new Land Rover and Range Rover production facilities at Solihull, availability of these vehicles has improved dramatically, despite strong demand in overseas markets, where around 75 per cent of all Land Rovers are sold. BL believes that this, combined with an aggressive marketing campaign in the UK, has been a major factor in the record sales achieved in April, the highest since 1970. During the month *a total of* 1,152 Land and Range Rovers were registered, of which 851 were Land Rovers. Standard versions are now available with little or no delay.

Building on this success, which the company hopes will be continued in subsequent months, a number of improvements in the Range Rover are to be announced soon, including measures to provide better fuel economy.

This is an area in which the smaller-engined Japanese competitors, which are also lighter and smaller than most Land Rover models, have scored with economy-minded farmers. Their off-road capabilities are generally good enough for all but the worst conditions, and the lower initial prices are increasingly attractive, even if they do not have the durability of the Land Rover, nor its towing capacity.

However, there is a large sector of this market which has on the whole remained loyal to Land Rover through good times and bad. These are the police forces throughout the country, which in any case would face criticism if they changed to foreign vehicles without good reason. The use of Range Rovers by police forces has also been extensive, as their adaptability from high performance road use to rough terrain driving has proven extremely valuable.

There are more than 20 models in the Land Rover range which vary in price from nearly £6,000 to more than £9,000 for the longwheel-base, 12-seat version. Many of its models sold overseas are in large, custom-built batches for particular uses such as military or police work. Demand from this source continues at a high level.

The major obstacle to overseas sales continues to be the high value of sterling, which has given U.S. and Japanese competitors an edge in some markets, but the reputation of Land Rover remains a strong advantage, particularly in Commonwealth countries and others with traditional trading links with Britain.

Overall sales of Land Rovers and Range Rovers world-wide increased last year to 61,300, compared with 54,500 in 1979. A total of 6,824 Land Rovers were sold in the UK last year compared with 6,418 the previous year, while Range Rover sales over the period increased from 2,388 to 3,521.

The main element of competition from abroad comes from Subaru, which sold around 5,000 vehicles in the UK last year. Subaru appears to have established a position in the market which will be hard to challenge, given the virtually new market which appears to have been created at the lower price range. Available Subaru models are the 1,800cc saloon with off-road capability and the MV pick-up versions, both of which have dual-range gearboxes. The former retails at around £5,800 and the latter at about £4,500.

There is evidence now that vehicles such as these are being used in a complementary role to that of the Land Rover, with farmers needing to retain the towing power and hard-usage aspects of the Land Rover, while using a Subaru or a similar vehicle for lighter duties. There is now some use of motorcycles, inevitably Japanese, for farm work.

On the other hand, there is *also evidence that a high pro*portion of four-wheel-drive vehicles are very seldom used to anywhere near their full capability — Range Rovers in particular have captured the imagination of city dwellers who may only occasionally use them for country pursuits. This has led to demand for considerably better fuel consumption during road use, an area where smaller-engined Japanese competitors have scored heavily. Daihatsu vehicles are sold in nine variations in the UK at present, through TKN Vehicle Services UK, at prices ranging from just *over £5,000 to around £7,000.* Imports are said to be running at between 2,000 and 3,000 vehicles a year, depending on demand.

A small minority of the British market is held by imported vehicles from the United States, although their heavy construction and large capacity engines designed for the major four-wheel drive market in the U.S. are a severe handicap under British conditions, particularly in relation to fuel consumption. These include the Renegade and Cherokee models, which range up to more than £12,000 in price.

In general, the European *four-wheel-drive market* has suffered quite severely from continually rising fuel prices, although some of the more recent Continental competitors have been of comparatively small engine sizes. Contenders here include the Simca-Matra Rancho, a two-wheel-drive vehicle which nevertheless competes in this sector, the G vehicles being produced by Daimler-Benz of West Germany and Steyr-Daimler-Puch of Austria. Volkswagen offers a civilian version of a four-wheel-drive vehicle originally designed for military use.

Perhaps as a result of the onset of recession, the European market has generally proved disappointing for the numerous bidders for the "fun" vehicle buyer, although in the longer term *there could be room for* all the present manufacturers.

There is little doubt, however, that the biggest potential lies in some of the more rapidly expanding developing countries, where regional development relies heavily on reliable transport over often difficult terrain. The Japanese, often working on projects in these countries, have been quick to see this potential and have captured large shares of many such markets, often at the expense of Land Rover, which is now seeking to reassert its position wherever possible.

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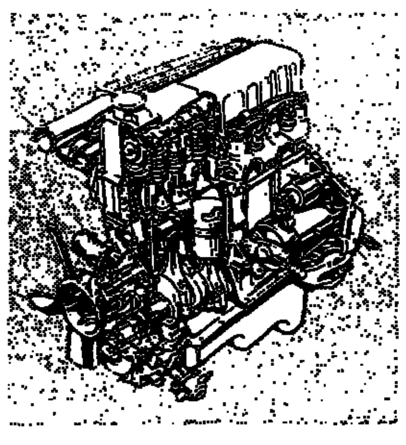

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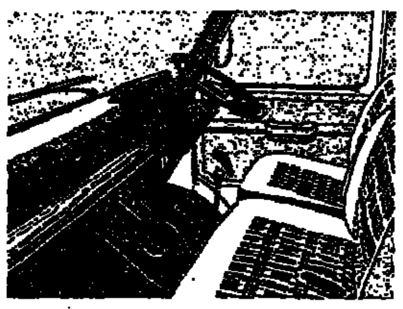

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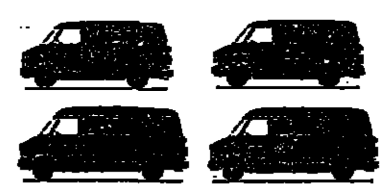

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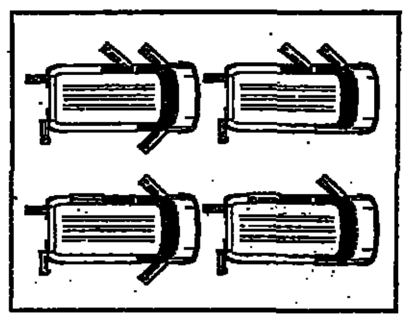

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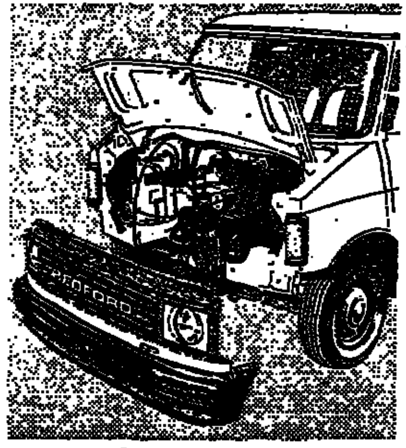

unit can be dropped within 15 minutes. So you can remove the engine more easily and thus reduce downtime.

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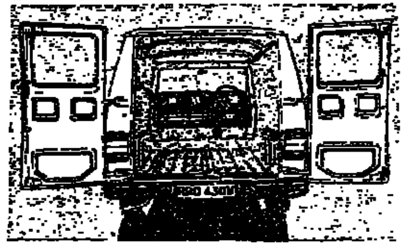

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